

OVERSEAS NEWS

Protests hit Azerbaijan factories

BY LESLIE COLLIT IN MOSCOW

PROTESTS in favour of joining the disputed Azerbaijan region of Nagorno Karabakh with the neighbouring Soviet republic of Armenia closed down most factories in Nagorno Karabakh's capital Stepanakert at the weekend.

Yerevan, the Armenian capital, was largely quiet yesterday following earlier weekend disturbances. The mass stay at home movement in Armenia took place after a planned demonstration was banned by the authorities.

The Soviet authorities simultaneously stepped up a campaign accusing Armenian Nationalists who organised the protests of "anti-sovietism" and charged a prominent arrested Armenian Nationalist with anti-state activities.

Mr Paruir Atrikyan, a member of the Nagorno Karabakh Committee, which was disbanded last Friday, was charged with spreading false information and slandering the State, according to Mr Lev Timofeyev, chairman of the Press Club Glasnost, an independent human rights monitoring group in Moscow.

Polls see Mitterrand moving ahead

By Ian Davidson in Paris

PRESIDENT Francois Mitterrand, whose combative entry into the presidential election campaign last week was unanimously endorsed yesterday by an extraordinary convention of the Socialist Party, appears to have strengthened his position at the expense of his main right-wing rivals, according to three public opinion polls published over the weekend.

UK objects to Slovak crackdown

By Judy Dempsey in Vienna

THE BRITISH Foreign Office called in the Czechoslovak consul to protest against police action during a religious demonstration in Bratislava, the capital of Slovakia, on Friday night.

Police, using water cannon, broke up a demonstration by 2,000 Catholics, who had gathered in Bratislava Square in front of the Slovak National Theatre, to call for full religious freedom, the observance of civil rights and the appointment of bishops to the dioceses. Ten of the country's 13 dioceses remain vacant because the authorities will not agree to the Vatican's candidates.

Several hundred demonstrators were arrested. Mr David Mellor, Foreign Office Minister, protested to the Czechoslovak consul at the weekend at what he called the "repressive and Stalinist measures" used against the Slovaks.

The unprecedented demonstration in Bratislava has clearly taken the authorities as well as many Czechs by surprise.

Over the past 30 years, there has been practically no overt opposition to the authorities in Slovakia, of which 80 per cent of the population of 5m are Catholic. However, in recent years, the number of underground Catholic Churches has swelled in response to the authorities' persistent suppression of religious freedoms.

Opposition, up until now, has centred on Charter 77, the Prague-based independent human rights group, whose signatories and supporters come from the Czech lands and not Slovakia.

Portuguese strike to go ahead

BY DIANA SMITH IN LISBON

OVER 200 Portuguese unions representing 2.5m people are committed to today's one day general strike.

For the first time both confederations - the mainly-Socialist UGT and the CGTP, now less dependent on the Communist Party - will join forces in a mass strike.

The strike is a protest against the bid by Mr Anibal Cavaco Silva's Social Democrat government to reform rigid labour laws imposed after the leaving 1974 coup.

The reforms prohibit arbitrary personal or political sacking and provide for reinstatement. But union leaders insist they are

unjust. The Administration has already softened labour proposals three times. It refuses to make further changes.

Today's strike is seen as a test of the unions' hold on the rank and file in a public sector where workers are more unionised than in the private sector.

It is the first mass showdown since the Socialist Democrats won last July. Despite their name Portuguese Social Democrats are more centrist than Socialist.

Government resolve to carry the day made Social Democrat white collar unions back off the strike, while condemning the

reforms after learning they risked expulsion from the party. The UGT claimed transport workers were told to sign lists rejecting the strike - or face dismissal. Factory workers reported the police had checked names of potential strikers.

The UGT, considered moderate, led the general strike call. It turned out the Government in January when public sector wage bargaining turned into high-banded official offers three or four points below private sector increases, based on an abruptly lowered 5 per cent inflation target. Inflation of 7.5 per cent to 8 per cent inflation is considered more likely.

Baudouin calls on Dehaene

BY OUR FOREIGN STAFF

KING BAUDOUIN of Belgium yesterday asked Flemish Christian Democrat Mr Jean-Luc Dehaene to form a government to end the country's five-month political crisis.

The 47-year-old Mr Dehaene was appointed as the King's mediator two months ago to sound out the parties' positions on a new five-party coalition. He abandoned the mission last week after talks failed to bridge differences over the language problem that toppled the last Government.

Political analysts said Mr Dehaene, who was social affairs minister in that Government, will have more clout in coalition negotiations as a result of his new appointment.

The centre-right government of Prime Minister Wilfried Martens resigned last October over the case of Mr Jose Happort, the French-speaking mayor of Fournes (Voeren in Dutch) in the Dutch-speaking province of Limburg who refused to conduct his official duties in Dutch.

Mr Dehaene, the King's third mediator stage inconclusive elections last December, managed to bring five parties into broad agreement on economic and social policies.

But the French and Dutch speaking socialist and Christian democratic sister parties and the Flemish regionalist Volksunie could not agree on the financing of extended powers for the language regions.

Mr Dehaene, speaking before his new appointment yesterday, said: "The problem has been with us since the First World War. At best we can find a modus vivendi. I don't think we can find a definite solution to the language problem."

Mr Mitterrand quoted the complaint of a leading member of Mr Barre's campaign, to the effect that, with the Gaullists, money streamed in from everywhere.

"Yes!" said Mr Mitterrand, "money, money everywhere - and yet the word 'stream' is too modest, because it is nearer to a great river."

The implication of the three polls is not merely that Mr Mitterrand has not weakened his position by entering the fray, but that they show the combined strength of the two main right-wing candidates falling below the critical threshold of 40 per cent of the total.

If this pattern is sustained, it will make their strategy more difficult because it will make them all the more dependent on extreme right-wing voters.

WEST GERMAN and Swiss security agents have made six arrests in a swoop on suspected Soviet spies in the last few days, the newspaper Die Welt said yesterday, Reuters reports from Bonn.

The conservative daily, which has good links with the intelligence community, said all six had attended a language school for government employees near Bonn, where West German secret agents also studied.

It said three of the arrested suspects were doctors, two were engineers and one was a teacher. Two of the doctors were Russian and the third Iranian.

Two other suspects had been arrested but were later released, the paper said.

Six suspected Soviet spies held

Notice of Redemption of Cellular Communications, Inc. 6% Convertible Subordinated Debentures Due 2002 (Convertible into Cellular Communications, Inc. Common Stock) Redemption Date: April 27, 1988

Conversion Right Expires: Close of business on April 27, 1988

NOTICE IS HEREBY GIVEN to holders of the 6% Convertible Subordinated Debentures Due 2002 (the "Debentures") of Cellular Communications, Inc. (the "Company") convertible into the Company's common stock (the "Common Stock") that, pursuant to the provisions of the Indenture dated as of March 12, 1987 (the "Indenture") between the Company and Chemical Bank, Trustee, the Company has elected to redeem all of the outstanding Debentures on April 27, 1988 (the "Redemption Date") at a redemption price of 105% of the principal amount thereof, together with accrued and unpaid interest from March 14, 1988 to the Redemption Date.

Payment of the redemption price and accrued interest, which will aggregate \$5,287.50 for each \$5,000 principal amount of the Debentures, will be made on or after the Redemption Date upon presentation and surrender of the Debentures together with, in the case of a Bearer Security (as defined in the Indenture), all unexpired coupons attached thereto (i) in the case of both a Registered Security (as defined in the Indenture and subject to applicable laws and regulations) and a Bearer Security, at the office of any one of the Paying Agents set forth below, located outside the United States or (ii) in the case of a Registered Security only, at the office of the Paying Agent set forth below, located inside the United States.

The redemption price will become due and payable upon each Debenture on the Redemption Date, and subject to deposit by the Company with the Trustee or a Paying Agent prior to April 27, 1988 of money sufficient to redeem all outstanding Debentures, interest thereon shall cease to accrue on and after the Redemption Date.

ALTERNATIVE TO REDEMPTION

Holders of Debentures have the right, on or before the close of business on April 27, 1988, to convert the Debentures into fully paid and nonassessable shares of Common Stock.

The Debentures may be converted for the principal amount or, in the case of a Registered Security, any portion thereof which is \$5,000 or an integral multiple thereof, into Common Stock at the conversion price of \$16.00 per share. In order to exercise a conversion right, the holder of any Debenture(s) to be converted shall surrender such Debenture(s), together with all unexpired coupons, to any one of the Conversion Agents located outside the United States or (in the case of a Registered Security only), inside the United States, accompanied by a written notice of election executed by such holder that the holder elects to convert such Debenture(s) and specifying the name or names in which the shares of Common Stock deliverable upon conversion shall be registered, with the address of the person so named (and, if required, the holder's taxpayer identification number). A holder who surrenders a Debenture for conversion will receive a certificate or certificates for the full number of whole shares of Common Stock to which such holder is entitled. No fractional shares of Common Stock will be issued upon conversion of any Debenture, but in lieu thereof the Company will pay a cash adjustment in respect of such fraction in the amount equal to the same fraction of the closing price (as defined in the Indenture) per share of Common Stock on the NASDAQ National Market System on the last Business Day (as defined in the Indenture) prior to the day of conversion on which there is a closing price per share of Common Stock, Debenture(s), or portions thereof, shall be deemed to have been converted immediately prior to the close of business on the date on which such writtten notice has been received by a Conversion Agent and such Debenture(s), or portions thereof, shall have been surrendered as aforesaid, and at such time the rights of the holder tendering such Debenture(s), as holder, shall cease and the person or persons entitled to receive Common Stock issuable upon conversion shall be treated for all purposes as the record holder of holders of such Common Stock at such time.

In accordance with the terms of the Indenture, no payment or adjustment shall be made upon any conversion or account of any interest accrued on the Debenture(s) surrendered or on account of any dividends on the Common Stock issuable upon conversion.

The closing price of the Common Stock on March 22, 1988, as reported on the NASDAQ National Market System, was \$23.00 per share (the "Closing Price"). A holder of \$5,000 principal amount of Debentures converted into Common Stock at the Conversion Price of \$16.00 per share would receive, upon sale of the shares of Common Stock at the Closing Price, and including the cash received upon conversion of the Debentures in lieu of any fraction of a share of Common Stock (as set forth in the Indenture), an amount having an aggregate value of \$7,187.50. However, such value is subject to change depending upon changes in the market value of the Common Stock and the date of conversion. If more than one Debenture shall be surrendered for conversion at any one time by the same holder, the number of full shares of Common Stock which shall be issuable upon conversion thereof shall be computed on the basis of the aggregate principal amount of Debentures (or specified portion thereof) so surrendered.

Payment for Debenture(s) delivered to any one of the Paying Agents outside of the United States will be made by United States dollar check drawn on a bank in the Borough of Manhattan, City and State of New York or by transfer to a United States dollar account maintained by the payee with a bank located in a European city. Any payment for Debenture(s) made at the office of the Paying Agent in The City of New York will be made by United States dollar check drawn on, or by transfer to a United States dollar account maintained by the payee with, a bank in The City of New York.

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Cellular Communications, Inc.

Payment for Debenture(s) made at the office of the Paying Agent in The City of New York may be subject to reporting to the United States Internal Revenue Service ("IRS") and to back-up withholding at the rate of 20% if payees not recognized as exempt recipients fail to provide the Paying Agent with an executed IRS Form W-8, certifying under penalties of perjury as to the payee's taxpayer identification (employer identification number or social security number, as appropriate). Those holders who are required to provide a correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of \$50. Holders should therefore provide the appropriate certification when presenting their Debenture(s) for payment.

The Company has made standby arrangements with Shearson Lehman Hutton Inc. (the "Purchaser") pursuant to which the Purchaser has agreed, subject to certain conditions, to purchase from the Company such number of shares of Common Stock as would have been issuable upon conversion of Debentures which either have been surrendered for redemption or have not been surrendered for conversion on or prior to the Redemption Date. The purchase price of such shares will be an amount equal to the aggregate total redemption price of such Debentures.

The Purchaser is:

Shearson Lehman Hutton Inc.

March 28, 1988

Yamaichi Securities Co., Ltd. is pleased to announce the opening, today, of the Madrid Representative Office

Madrid Representative Office Chief Representative: Yorihisa Ishida Paseo de la Castellana, 50, 28046-Madrid, Spain Telephone: 571-1125 Facsimile: 411-7357



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Panama enacts new emergency measures

BY TIM COONE IN PANAMA CITY

THE PANAMANIAN government has announced fresh emergency measures in an effort to counter the country's deepening economic crisis.

At the weekend the government issued a decree which suspends all obligations to make payments for rented properties whether for housing, commerce or industry.

At the same time, inventories at the two principal flour mills in the country were seized by the government to head off a looming bread shortage.

The emergency measures were announced by the new president, Manuel Solís Palma, in an effort to alleviate the liquidity crisis in the country which has brought commerce and industry grinding to a halt. However, they also have important political implications, as they threaten the interests of the business sector and property owners, which form the heart of the US-backed opposition to the Panamanian strong man, General Manuel Antonio Noriega.

The suspension of rent payments is to continue as long as the state of emergency remains in force. It is now in its second week.

The flour mills, General Mills de Panama and Harinas Panama, had joined the business sector

strike which began last week. The strike is aimed at ousting Gen Noriega. The closures of the mills threatened flour supplies to bakeries throughout the country.

The Panamanian Defence Forces said that under the state of emergency all food industries will be obliged to remain functioning and that similar measures will be taken against other industries if food supplies come under threat.

The commercial strike organised by the US-backed Civic Crusade continued in effect over the weekend and left most shops closed in the main cities of Panama and Colón. Some small supermarkets and food stores remained open, with many transactions being made by special coupons issued by the government or private employers to compensate for the lack of US currency in circulation.

The closure of banks for the past month and the freezing of Panamanian government assets in the US has created a severe liquidity crisis in Panama, which does not have its own currency. US dollars are the medium of circulation.

Last Friday, the government was again unable to pay its employees, including the 15,000-strong National Guard.



Israelis sentence Vanunu to 18 years

By Andrew Whitely in Jerusalem

MR Mordechai Vanunu, the Israeli nuclear technician found guilty of espionage and treason for revealing secret information to a British newspaper, was sentenced yesterday to 18 years in prison.

In a published extract from their summing-up, the three judges said that the relatively light sentence was in consideration of several mitigating circumstances.

The three factors cited were his co-operation with the prosecution, "signs of remorse over the way he had acted," and an unexpected element - the harsh prison conditions in which he had been held over the past 18 months.

Mr Vanunu has been in solitary confinement with elaborate security measures to prevent him contacting other prisoners.

The prosecution had asked for a life sentence on each of three charges. This could have meant 35 years. Instead, Mr Vanunu can now expect to be released in ten years.

At yesterday's sentencing before the Jerusalem District Court, 28 foreign scientists presented a petition for clemency for Vanunu.

The petition appealed to the court "to recognise that Mordechai Vanunu is a man of conscience, deeply disturbed by his role in a nuclear weapons programme, who first sought religious guidance and then decided to make public his concerns."

Louise Kehoe reports on a plan to give US chip-makers more access to Japan

Semiconductor summit eases tension

In a joint statement at the end of a two-day meeting at Monterey, California, US and Japanese manufacturers said they had made "considerable progress" towards resolving their differences over access to the Japanese market

US AND JAPANESE semiconductor industry leaders have agreed in principle to a jointly developed plan designed to increase Japanese imports of semiconductors.

In a joint statement at the end of a two-day industry summit at Monterey, California, the US and Japanese chip makers said they had made "considerable progress" towards resolving their differences over access to the Japanese semiconductor market.

However, US semiconductor industry representatives said they are not yet ready to recommend that the US lift trade sanctions imposed last April, in retaliation for Japan's failure to increase foreign chip purchases as promised under the terms of a 1986 bilateral trade agreement.

Indicating that the industry group might be prepared to change its position, though, Mr Jon Cornell, senior vice-president of Harris Corporation and chairman of the US industry delegation, said: "The US industry position on sanctions is tied to the success of the actions outlined in the joint statement. We are optimistic that these actions will lead to increased market share."

Japanese industry representatives declined to comment on the sanctions, which they have bitterly opposed.

The 15-point plan includes the joint sponsorship of an international semiconductor round-table, to take place in Tokyo in October. Also, both sides agreed to

support the development by governments of improved statistics on market access. This is seen as an effort to resolve conflicting trade data on semiconductor sales which has confused the issue of foreign access to the Japanese chip market.

The US and Japanese companies also agreed to work together on the issue of patent and copyright protection for semiconductor products, and on market research aimed to identify new semiconductor applications.

US industry requests to which the Japanese have acceded include support for "fast start-up" of foreign participation in the Japanese consumer electronics and automotive markets for semiconductors, which together represent more than half of the \$60n Japanese chip market.

Japanese requests agreed by the US industry focussed on improving US sales and support efforts in Japan.

The industry plan in large part resembles recommendations that

have been discussed by US and Japanese trade officials for several months. Industry support for these measures is critical to their success and the industry-level agreement is seen as a significant step toward resolving the long trade dispute.

Even so, despite the conciliatory tone of their joint statement, the US and Japanese industrialists remain fundamentally divided on the issue of the 1986 trade pact. The US industry views the pact as the foundation for progress towards trade balance; Japanese industry representatives continue to dispute its terms.

"We are aware of US expectations for foreign producers to gain a 20 per cent share of the Japanese semiconductor market by 1991. However, we do not feel that Japan has accepted or approved this figure," said Mr Toori Sato, Hitachi's managing director of semiconductor operations. Also, Japan has never officially accepted US demands for a steady, linear increase in

market share, he added.

However, US and Japanese industry leaders pledged their support for the action plan.

A big issue raised by increased co-operation between the US and Japanese semiconductor industries is the European concern that as Japan begins to open its market, US suppliers may be favoured over those of other countries. Addressing this concern, the US and Japanese trade groups said they are seeking co-operative relationships with their counterparts in Europe and elsewhere. US industry officials have responded to a Gatt panel ruling on the EC's complaint about the US-Japanese semiconductor trade agreement.

The Gatt panel did not condemn the trade pact, the US industry group stressed. "The GATT report specifically upheld the market access provisions of the agreement and, according to US Trade Representative Clayton Yentzer, also found that the third country dumping provisions of the pact were not inconsistent

with its rules on dumping," the US Semiconductor Industry Association said in a statement issued on Friday.

US trade officials also denied that the US had called for emergency talks with Japan on the Gatt ruling, although the issue is understood to have been included in continuing consultations.

The Gatt report, the text of which remains private, labelled various measures taken by Japan as inconsistent with Gatt rules against quantitative restrictions. The US association claimed. These provisions prohibit measures including production controls, allocation between domestic and foreign purchasers, delays in granting export licences and the like. The trade group said. "Each of these measures was criticised by the US Government and by the US association last year. The Japanese Government renounced the use of these measures publicly last November," the association stated.

"The association continues to believe that, properly implemented, Japan's commitment to prevent dumping of semiconductors, as outlined in the US-Japan semiconductor agreement, is consistent with the Gatt. The association also believes that Japan remains obliged to ensure access to its market for foreign-based semiconductor suppliers," said Mr Andrew Proccassini, association president.

US congress to consider measure on takeovers

BY JAMES BUCHAN IN NEW YORK

THE US Congress will this week consider a measure in the mammoth trade bill now under negotiation that will give the President the authority to stop foreign takeovers of US companies on the grounds of national security.

The amendment, which the Reagan Administration reluctantly approved in talks with Congressional negotiators last week, could block foreign takeovers not only in defence contracting but in such industries as oil and engineering. The President would have discretion to decide whether the takeover endangers US security.

The measure, which goes before the Senate and House conferees on the trade bill in Washington tomorrow, is the first big foreign takeover proposal that reshaped big sectors of US industry and caused a groundswell of resentment in business, local

government and Congress.

Last year, objections by the Pentagon helped stymie a planned takeover of Fairchild, a big semiconductor maker with substantial military business, by Fujitsu of Japan. But the fall in the dollar exchange rate has caused a new surge in foreign takeovers, culminating in this month's \$2.5bn purchase of Firestone by Bridgestone, the Japanese tyre maker.

"In this day and age, a strong economic base is as essential to national security as are weapons," Mr James Florio, a New Jersey Democrat who sponsored the House version of the measure, told the New York Times.

The Administration accepted the measure apparently to block a major takeover proposal that would have required foreigners to disclose all investments in the US.

Iranians press advance on strategic dam in Iraq

BY OUR FOREIGN STAFF

IRAN yesterday claimed its Revolutionary Guards advanced further towards a strategic dam in northern Iraq, as the two countries fired more missiles at each other's cities.

At the same time Iranian gunboats raked an Indian tanker with machine-gun fire off the United Arab Emirates, setting it ablaze and wounding a crewman.

Shipping sources reported.

The Iranian news agency said the Revolutionary Guards occupied strategic heights within 5km of a dam and hydro-electric power station on Lake Darbandkhan in Iraq's Sulaymaniyah province.

At least 700 Iraqi troops were killed or wounded in the fighting, the agency said. It denied an Iraqi report that three F-5 Iranian jets were shot down earlier.

Iraq said it fired four missiles at Tehran and the central Iranian city of Estahran yesterday. A Baghdad war communiqué said missile and air attacks on Tehran and other Iranian cities would continue until Iraq forced Iran to accept a Gulf war peace.

Iraq earlier reported an Iranian missile struck a densely-populated area of Baghdad yesterday, killing civilians and destroying houses and cars. The missile was launched in retaliation for Iraqi missiles which killed and wounded civilians in Tehran, according to the Iranian news agency.

Shipping sources identified the Indian tanker as the 24,522-tonne Jainarayan Vyas.

Israeli secret service chief replaced

By Our Jerusalem Correspondent

ISRAELI army radio reported yesterday that the head of the Shin Bet, the domestic secret service, has been replaced.

He was named - for the first time - as Mr Yossef Heremling, who was said to have served in the key security post for 11 years in two separate stints. No reason was given for the change.

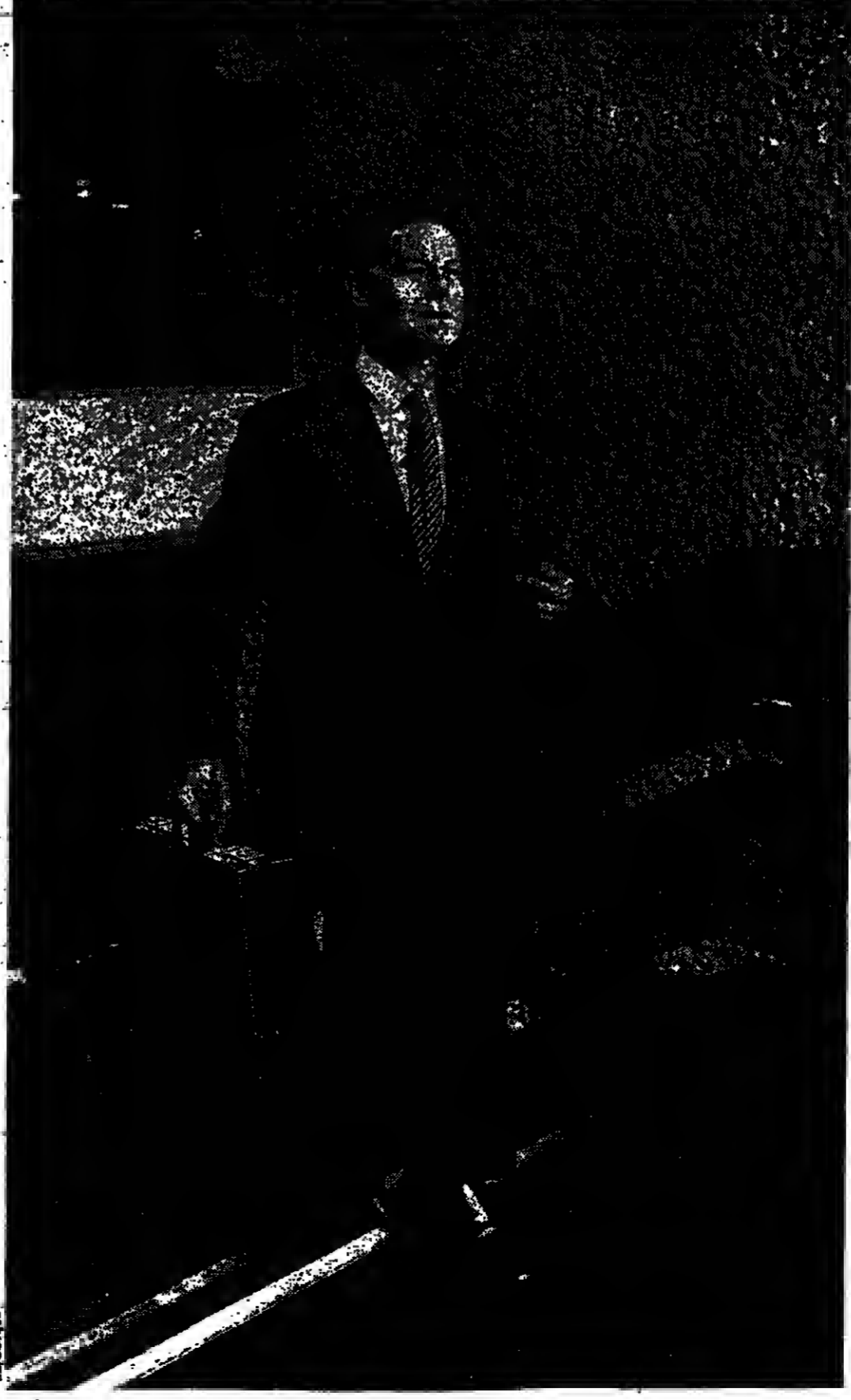
In keeping with normal practice, the identity of his successor was not revealed. It is known that Mr Heremling had been called back from retirement in June 1986 when the then head of the Shin Bet, Mr Avraham Shalom, was forced to resign over the death in captivity of two Arab bus hijackers.

Meanwhile, nine more Palestinians were killed by Israeli troops over the weekend, as villagers fought to prevent soldiers carrying out mass arrests. It was the highest two-day toll since the unrest began in early December.

As a result of the night-time sweeps, a new pattern of violence is beginning to emerge in the occupied West Bank, in which youths guarding their villages take on the troops from prepared positions with stones and iron bars. In the worst incident of this kind, the soldiers shot and killed three young people in the northern village of Haythalaon, in the early hours of Sunday morning.

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OVERSEAS NEWS

White S. African politics face deepening turmoil

BY ANTHONY ROBINSON IN JOHANNESBURG

THE TURMOIL in South African white politics provoked by the rise of right-wing extremism and disarray to the left of the ruling National Party is likely to deepen this week with an expected Conservative Party victory at the Randfontein by-election.



Dennis Worrall

Voting takes place on Tuesday in the largely working-class mining and industrial constituency where many of the 30 per cent of English-speaking voters joined with Afrikaners in electing the Conservative Party's Dr Condie Mulder with a 1,700 majority in last May's general elections.

Now his youngest son, 29-year-old Dr Condie Mulder, is expected to increase the CP's majority in the seat that his father held for years as a National Party MP before his controversial disgrace.

At the other end of the white political spectrum, this weekend marked the final demise of the old South Africa and United Parties whose moderate Afrikaner-English electoral alliance ruled South Africa for more than 30 years after the Boer war.

The demise of the NUP, meanwhile, has been accompanied by deep dissent within the ranks of the Progressive Federal Party (PFP) following the resignation of two prominent Johannesburg city councillors and a major split between "young turks" and the party's traditional "liberal" wing led by Mrs Helen Suzman and a lacklustre leadership under Mr Colin Eglin.

West Germany's Finance Minister has sights set on a record term, writes David Marsh Dogged Stoltenberg vows to battle on

"DOWN, BUT certainly not out," might be the message on Mr Gerhard Stoltenberg's lips as the West German Finance Minister today heads for the slopes at the beginning of a skiing holiday in Austria.

Facing a tide of domestic criticism over the rising budget deficit and the government's 1989 tax-cut plans, and beset by political worries in his home state of Schleswig-Holstein, the silver-haired Mr Stoltenberg has lost some political clout as the pillar of the Bonn coalition government.

1.5 to 2 per cent projection in January - was now within reach for this year.

Mr Stoltenberg's critics, in and outside the government camp, say that during the past 18 months he has failed to show necessary firmness and consistency. "For years we have had no economic policy in Bonn," says wearily one top member of the Bundesbank, the central bank, referring to repeated difficulties by the coalition partners to work out a clear-cut line on the economy.



Stoltenberg: key disdain for criticism from Strauss

Stoltenberg, however, draws heart from better prospects for the world economy and the more stable dollar. He said the picture has "improved considerably" compared with expectations after the October 19 stock market crash. "Then, many feared that the industrialised countries would enter recession. That fear no longer exists, certainly not for 1988, and probably not for 1989," he said.

Industrialists who always used to be the government's strongest supporters, he replies: "The uncertainty over exchange rates has led to a more critical view (on the part of the corporate sector) of government policy. We are making steps in our programme of economic modernisation - we are for instance bringing down tax rates - but in some areas progress is slow."

Very difficult tasks are ahead," said Mr Stoltenberg. These included tackling industry's non-wage costs, which are often elevated by rigid agreements between unions and employers, as well as lowering costs in the health system, and accelerating economic deregulation in such fields as telecommunications. "You have to fight everywhere in these areas," he said.

Tempers flared last Tuesday during a meeting chaired by Mr Kohl with Mr Stoltenberg and other top coalition politicians. Faced with more CSU demands to adjust minor parts of the 1990 package, Mr Kohl obtained agreement only by banging his fist on the table and threatening indirectly to resign.

Mr Stoltenberg has been chairman since 1971 of the Christian Democrats in Schleswig-Holstein, where he was also Premier until he became Finance Minister 5 1/2 years ago. He admits that he was overstretched holding down the two jobs during the political crisis in the state last autumn over the misdemeanours of Mr Uwe Barschel, the then Premier.

GKN to produce drive shafts in Chinese joint venture

BY KEVIN DONE, MOTOR INDUSTRY CORRESPONDENT

GKN, THE UK automotive components and engineering group, is to enter its first manufacturing joint venture in China, for the production of vehicle drive shafts.

Uni-Cardan, GKN's West German subsidiary, of which GKN owns 96.7 per cent, acts as GKN's holding company for its European transmission components manufacturing operations.

GKN constant-velocity drive shafts from 1988. SDS will also take over an existing plant which produces propeller shafts and universal joints, and which is operated by the Shanghai Tractor and Automobile Corporation (STAC). It supplies the shafts for the Shanghai Sedan range of cars, light commercial vehicles and heavy duty trucks, as well as for other applications. Production was close to 100,000 propeller shafts in 1986.

Abbott to offer test for second form of AIDS

BY PETER MARSH

A NEW test for acquired immune-deficiency syndrome, which determines whether people are infected by a recently discovered form of the AIDS virus that is imperfectly detected by conventional tests, has been promised by the end of the year.

AIDS test kits, sold as simple-to-use batches of chemicals, have become widely used to check samples of blood for transmission and for confirming diagnosis of people suspected of having the disease.

Commodore sees boost in sales to E Germany

By David Goodhart in Bonn

COMMODORE, THE US-based computer company, hopes to export at least 15,000 personal computers to East Germany this year, according to Mr Robert Schoellthorne, Commodore's West German subsidiary, which released the figures yesterday.

Michael Holman assesses a report on withdrawals from South Africa

Disinvestment drive has mixed success

PROponents of economic pressure on Pretoria, as a way to hasten the end of apartheid, fight their battles on two fronts: advocacy of government-backed sanctions, and pressure on foreign companies with interests in South Africa to disinvest.

In most of these cases, "the ex-subsidiary continues to have access to products, or components or managerial support, from overseas." Thus, IBM in South Africa (renamed IBM still markets IBM computers; GM (now Delta) assembles GM models as before from imported parts, including Opel engines from West Germany; Barclays (now First National) still has credit lines for trade-related finance and management training schemes available with Barclays plc, the report maintains.



Baron du Plessis: No hard-nosed attitude

Despite the continued links cited by the movement, the minister expressed concern at the disinvestment trend: "A hard-nosed attitude to disinvestment is not a very clever attitude, because accompanying the loss of the involvement of that foreign investor is his managerial expertise, his entrepreneurship, his technology and also his interest in South Africa."

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SHIPPING REPORT Tanker rates pushed up by Mideast fears

By Terry Oudarovitch

PRICES in the world tanker chartering market strengthened last week as the increase in hostilities in the Middle East caused a steady upswing in demand for oil shipments.

According to E.A. Gibson Shipping, the most buoyant market for owners was in West Africa, where large vessels in the million-barrel capacity range were in heavy demand, particularly for voyages to the US. By the end of the week owners were seeking to push rates even higher, after additional rises in the rate to high World Scale 90 for discharge in the US Gulf ports.

WORLD ECONOMIC INDICATORS UNEMPLOYMENT

Table with columns for country, year, and unemployment percentage. Includes data for USA, UK, West Germany, France, Italy, Netherlands, Belgium, and Japan.



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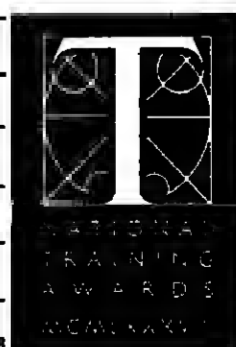
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UK NEWS - EMPLOYMENT

Survey foresees buoyant trend in industrial output

BY SIMON HOLBERTON

THE OUTLOOK for British industry continues to be buoyant, with further growth in domestic demand and output expected in the months ahead, according to today's survey of trends, published monthly by the Confederation of British Industry, the employers' organisation.

Industry's expectations for orders remain at their highest since 1977 and exports seem so far unaffected by the recent strength of the pound on foreign exchanges.

The CBI, however, plays down any suggestion that the British economy might be overheating. It notes that factory gate prices are expected to rise more slowly over the forecast period than past surveys have indicated. And it says in its latest set of economic forecasts that while there is evidence of skill shortages, these are most severe at managerial level.

The CBI is also sanguine about the outlook for earnings growth and productivity. Average earnings are expected to rise by 8 per cent this year but productivity is expected to grow by around 5 per cent to 8 per cent to give a rise in unit labour costs of 2 per cent this year.

The economic forecasts suggest that investment in manufacturing will rise by nearly 10 per cent this year, compared with 3.4 per cent last year, with an accent on new capital equipment rather



Nigel Lawson: "too optimistic" on trade

than refurbishment of existing capital stock.

This high level of investment will be one of the main engines of growth this year, the CBI says. It expects a moderation in the rate of growth of exports, and to a lesser extent, consumers' expenditure.

It is, however, forecasting a much sharper deterioration in Britain's trade account than the Mr Nigel Lawson, the Chancellor of the Exchequer, did at the time of the budget - firmly placing itself in the camp of other private

forecasters who think Mr Lawson has been too optimistic in his outlook for British trade.

The CBI expects Britain's current account deficit to widen to \$5.3bn this year from \$1.6bn last, compared with the Treasury's forecast of a \$4bn current account deficit.

The CBI believes export growth will slow to 3.1 per cent this year compared with 6.7 per cent in 1987. Moreover, imports are forecast to rise by 7.4 per cent, after a 7.8 per cent rise last year.

This is mainly due to the combination of higher UK growth relative to the rest of the world and the lagged effects of a loss of competitiveness due to a stronger pound.

The industrial trends survey shows that 28 per cent of companies surveyed expect an above normal rise in exports over the next four months, against 54 per cent who expect normal exports and 17 per cent who detect below normal orders.

For total orders, 36 per cent of companies believe they are above normal compared with 16 per cent who believe they are below normal and 48 per cent who find no discernible change from current levels.

Overall, 47 per cent of companies expect their output to rise, against 10 per cent who expect it to fall, and 43 per cent who detect no change.

Dublin seeks 'shoot-to-kill' prosecutions

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

IMPROVED relations between London and Dublin took a confusing twist yesterday after Mr Brian Lenihan, Irish Foreign Minister, said that if appropriate, prosecutions should follow the current inquiries into an alleged "shoot-to-kill" policy by members of the Royal Ulster Constabulary.

Sir Patrick Mayhew, the UK Attorney General, said in January that although the Stalker-Sampson report on "shoot-to-kill" allegations against the Northern Ireland police force had produced evidence of attempts to pervert the course of justice, there would be no prosecutions, because of security considerations.

Mr Tom King, Northern Ireland Secretary, subsequently announced that Mr Charles Kelly, Chief Constable of Staffordshire, would conduct fresh inquiries into the affair, which

could result in disciplinary measures against those involved.

The UK Government's failure to institute legal proceedings was condemned by Dublin, which claimed that the decision would undermine the confidence of Catholics in the administration of justice in Northern Ireland.

Mr Lenihan said on BBC radio yesterday felt strongly that if the allegations were sustained in a prima facie manner, prosecutions should follow.

He said that the Irish Government's expectation was that there would be prosecutions against senior RUC officers after the outcome of the present investigations.

Mr Lenihan said Mr King had assured him of immediate progress on the issue and had also stressed that it was in everyone's interest that it should be settled.

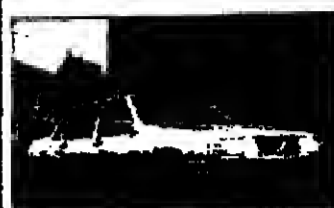
He would not speculate on the consequences for the Anglo-Irish agreement if prosecutions did not follow.

The Northern Ireland Office, a department of the UK Government, said last night, however, that the investigations being conducted by Mr Kelly were exclusively concerned with possible disciplinary proceedings against RUC officers, a fact of which the Irish Government was well aware.

Our Belfast Correspondent writes: Two men appeared at Belfast Magistrate's Court on Saturday charged with the murders of Corporals Derek Wood and David Hovess at the funeral of IRA man Kevin Brady on March 19.

Mr Henry Maguire, 38, and Mr Alexander Murphy, 30, both from Andersonstown, West Belfast, were remanded in custody.

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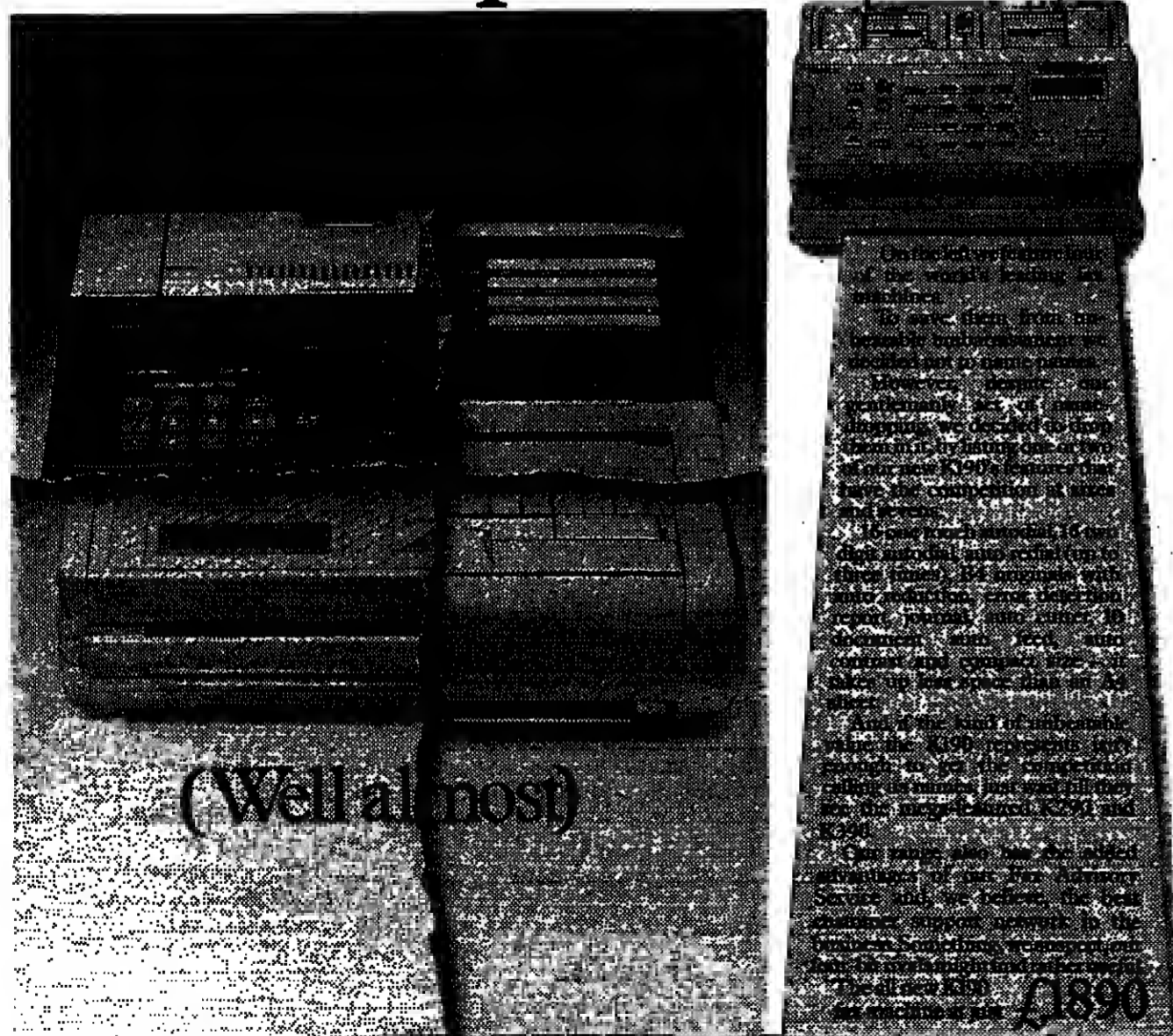
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UK NEWS

Ballot ends strike at Land Rover

BY RICHARD TOMKINS, MIDLANDS CORRESPONDENT

SIX THOUSAND hourly-paid employees at Land Rover, the vehicle maker, to work this morning at the end of a bitter five-week pay strike which halted all production at the company's Solihull plant in the West Midlands.

The unions said at the weekend that a postal ballot of members had shown 79 per cent in favour of the recommendation that the management's revised pay offer should be accepted.

The outcome will be seen as a victory for the company which refused throughout the dispute to increase its offer. Both sides acknowledge that the revised terms involve only cosmetic changes to the original deal.

Land Rover's unions held the postal ballot at the end of last week after a vote taken in a mass meeting of strikers on Wednesday failed to show a clear majority willing to accept the revised proposals.

The meeting ended in anger with many workers accusing their unions of a sell-out.

But by Saturday morning, of the 5,517 votes in the postal ballot received, 4,332 were in favour of the unions' recommendation, 1,185 were against, and 27 papers were spoiled.

The ballot majority was greater than that indicated by the "show of hands" called at Wednesday's mass meeting, suggesting that many workers had changed their mind after reflecting on the chances of securing a more favourable outcome, in a dispute that had already cost them about 2800 each in lost wages.

There had also been signs of weakening commitment to the strike, with a slowly rising number of workers crossing picket lines to return to work - a total of 240 by the end of last week.

Land Rover, a subsidiary of the state-owned Rover group, produces 305 Range Rovers and 450 Land Rovers in a normal week. Output last during the five-week strike is valued at about 75m at showroom prices.

The two-year pay package accepted by the production workers will increase the grade three basic rate of £164.80 a week to £158 in the first year and £163.06 in the second year - a total of 13.9 per cent.

However, part of this increase will be funded by the consolidation of existing bonuses, so its real value is far less. The unions say it is worth nearer 9 per cent.

Mr John Allen, divisional organiser of the Amalgamated Engineering Union, acknowledged at the weekend that the outcome of the dispute could not be seen as a victory for the workers.

"Land Rover was never able to follow the dictates of business and commercial logic," he said. "It had to follow the dictates of central government and that made it impossible for our members to achieve what they would regard as a satisfactory outcome."

NUS refuses 'no-strike' pledge

BY JIMMY BURNS, LABOUR STAFF

THE NATIONAL Union of Seamen could face further legal action this week after refusing to give a firm commitment not to take industrial action.

It also confirmed yesterday that it planned to announce on Wednesday the results of a national strike ballot.

A High Court judge on Friday described the ballot as an "ingenious and ingenious attempt to get round the law," and warned the union it could face seizure of its funds if it called a national strike.

Mr Mike Gibson, the NUS's official spokesman, said yesterday that while his union had reflected on the decision and intended to remain within the law, it would not stop the ballot nor tell its members not to strike.

However, P&O and Oriental Steam Navigation Company (P&O), which was granted a suspended sequestration order against the union on Friday, said yesterday it believed the High Court ruling clearly barred the union from conducting the ballot and any action resulting from the ballot.

It is understood the company believes Mr McInnes and other NUS officials are anxious for a settlement but that he faces a leadership challenge from an increasingly militant membership.

Early-telaxed results of the union's ballot, which began to be organised last week, are believed to show a 2-1 majority in favour of national strike action over redundancies and changes to working conditions in a declining industry.

The P&O ferry strike continued to cause long delays for freight lorries over the weekend in the port of Dover, despite special night sailings operated by Sealink UK.

Labour party leadership battle intensifies

By John Hunt

THE LABOUR Party leadership contest intensified last night with the left-wing Labour Co-ordinating Committee deciding to consider persuading a second candidate to contest the deputy leadership against Mr Roy Hattersley.

The committee, which includes about 40 members of parliament, as well as local party workers and trade unionists, strongly condemned the decision of Mr Tony Benn, left-wing MP for Chesterfield, to contest the leadership against Mr Neil Kinnock.

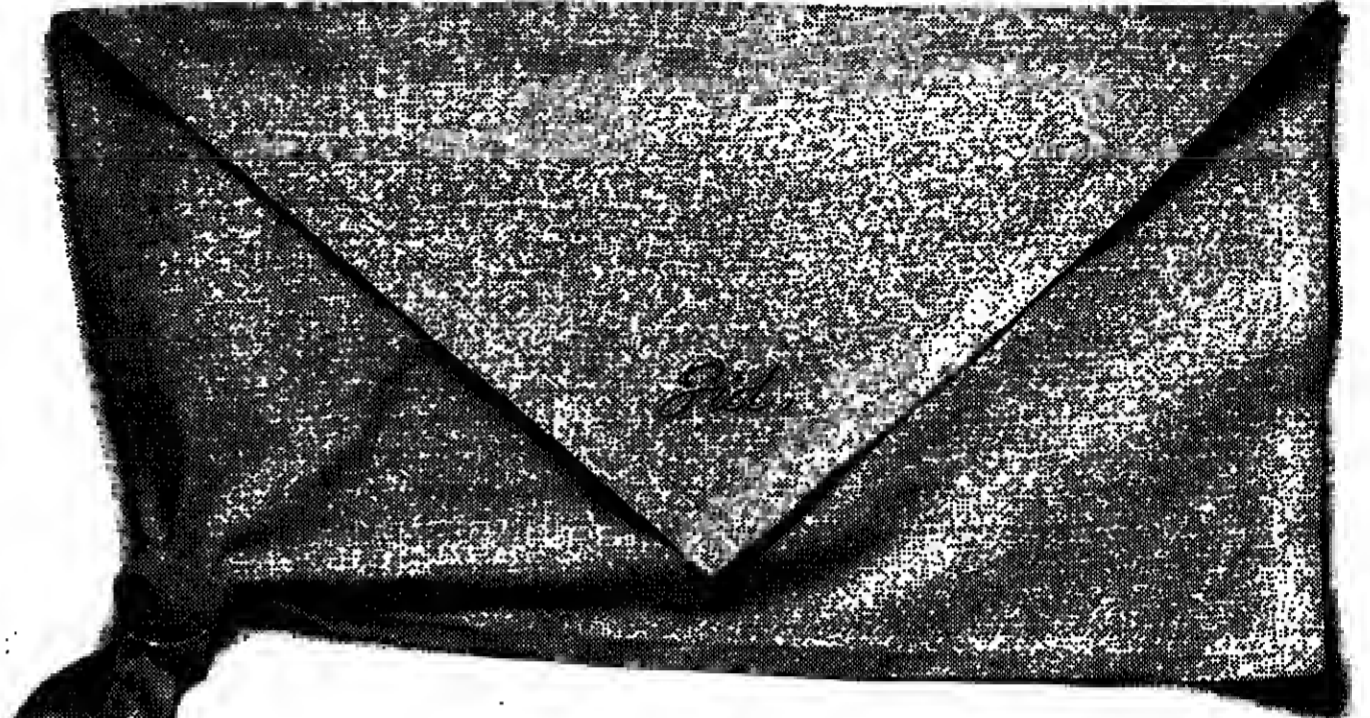
Mr Paul Thompson, committee chairman, said it had decided to seek another contestant for deputy because it was dissatisfied with the choice between Mr Hattersley and Mr Eric Heffer, left-wing MP for Liverpool Walton.

He said it wanted somebody from the "broad left" to enter the contest but admitted that it would be difficult to find a candidate.

It accused the hard-left Campaign Group, which is backing Mr Tony Benn's bid for the leadership, of being "obsessed with internal party battles."

Mr Jeremy Corbyn, a London MP and the Campaign Group secretary, was optimistic that Mr Benn would get the backing of the National Union of Mineworkers. He said Mr Arthur Scargill, president of the union, and Mr Peter Heathfield, general secretary, favoured Mr Benn.

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UK NEWS

More inter-dealer brokers to open

BY BARRY RILEY

Consumers' Association urges price caps on BT

By Terry Dodsforth

THE CONSUMERS' Association is calling for tougher controls on British Telecom charges, including a price cap on each service in which the group has a monopoly.

The call comes in response to the review being conducted by the Office of Telecommunications, the industry's regulatory body.

In its submission to OfTel, the association also asks for a clear statement about the quality of service BT is expected to achieve, along with rebates where standards fall below required levels.

On the second point, BT has already moved some way to accommodate complaints, with the announcement last week that it will begin compensatory payments to customers for delays in repairing faults and installing lines from April next year.

The association comes down on the side of maintaining the present approach to establishing BT prices, but says the formula should be made tougher.

It recommends that the present limit of price increases in the domestic services to 3 per cent should be reduced to 2 per cent, and that the limit on inflation should be increased to at least 4 points.

This would return about £120m a year to consumers, it says.

In addition, the association argues that the price formula should be extended to the full range of voice telephone services in which BT has a monopoly.

At present, only a little more than half of BT's revenues are covered by these arrangements.

Moreover, a price cap applied to individual services would prevent BT from rebalancing its costs, a wide basket of products and thus raising charges in some specific areas, the association says.

While the present broad-based formula covering a basket of services has been in force, the price of local calls has increased by 3 percentage points above the rate of inflation, the association claims.

It further recommends that there should be an annual statement on all BT prices.



Two new firms of equity inter-dealer brokers are poised to begin trading in the UK equity market, doubling the number of active equity IDBs. The expansion could further encourage controversy about this "market" within a market which has led to criticism from agency stockbrokers.

Charles Fulton Equity IDB could open for business as early as tomorrow, although Fulton's Mr Bill Foy said last week that delays in opening communication lines to the market-makers could force a postponement. The company is a subsidiary of International City Holdings.

An equity IDB being set up by US broker Mabon Nugent is also believed to be close to launch. The two new firms will be competing with the established pair, First Equity and Tullett & Tokyo Equities. The former is independently owned and was first in the field when it opened on February 5 last year.

STOCK EXCHANGE market-makers will be able to trade shares by the million from today, but so unusually big bang should be expected, writes Clay Harris.

The maximum size of lot which market-makers can quote on the SEAQ screen-based system has been raised from 100,000 to "in excess of 800,000." Although this change largely reflects long-

awaited technical enhancements to SEAQ, the timing is ironic considering the low trading volume of recent weeks.

Market-makers are already allowed to deal in lots larger than 100,000, but most believe the scope for routine trading in 500,000 shares, for example, is limited to 30 or 40 large-capitalisation stocks.

New competitors have been attracted partly by the knowledge that Tullett and First Equity have benefited from the change in market conditions since last October's crash. On October 19 the market-makers found they could not get through to each other on the telephone; the IDB systems proved to provide an efficient alternative.

The result was a leap in the volume of business through IDBs, which has only partly tapered away as conditions have become more normal. Tullett said it achieved a turnover of £2.4bn in November, implying it grossed £2.4m in brokerage with its flat commission rate of 0.1 per cent. Recently an average day has seen more than 300 deals, typically worth about £100,000 each.

Mr David Hagan, who set up and runs Tullett & Tokyo Equities, is planning to expand into foreign stocks by providing a service in those which have ADRs (American Depositary Receipts) listed on SEAQ.

Growth in IDB activity is bound to increase the concern of agency stockbrokers that the value of SEAQ is being undermined by the disappearance of crucial business into private systems. Some brokers are calling for access to the IDB screens.

Two other technical changes take effect on SEAQ this week. From today any bargains with special conditions attached must carry a "C" following the price. From tomorrow, market-makers in gamma shares, the third largest of four classes of shares traded in London, will be able to quote firm prices for the minimum 1,000-share lot.

Under the new system, prices can be displayed on the screen from "XL" for 100,000 shares up to "XLI" for lots of more than 900,000.

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Engine shortage to cost Talbot 20,000 sales

BY JOHN GRIFFITHS

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But Mr Whalen insisted that the company had a good chance of reaching sales equivalent to 7 per cent of the British market by the end of this year.

He predicted that an unprecedented double-figure share in Britain was "achievable next year" by Peugeot and Citroen together. Both are part of the PSA group.

That would leave the French combine trading on the heels of Vauxhall and Rover Group. Mr Whalen conceded that it does not appear likely that he will overtake either of them.

He was speaking during a press preview of diesel and automatic versions of Peugeot's new 405 medium saloon. They are to go on sale later in the spring.

Mr Whalen disclosed that last year Britain became the first market outside France where Peugeot's sales exceeded 100,000 units. He said British sales this year should reach 125,000.

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gilt-edged IDB proved unsuccessful and was closed). Equity IDBs act as intermediaries between Stock Exchange market-makers. These are free to deal directly with each other through the Stock Exchange's SEAQ screen-based system, but they can also put deals anonymously through the private networks of the IDBs, which cover alpha stocks and the more active beta stocks.

As a result, they do not expect to see an immediate rush into day-to-day quotation of larger lots. Some are wary, however, of an unforeseen effort by competitors to use the new facility to try to grab market share.

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Ministers give little ground as poll tax juggernaut rolls on

THE BILL to introduce the community charge, or poll tax, moves on like a juggernaut - exhorting its supporters and flattening its critics. After 147 hours of debate, the local government finance bill completed its committee stage last Thursday night and will return to the political limelight on the floor of the Commons in the second half of next month with its report stage and third reading.

Moreover, there are no signs that ministers are willing to respond to the amendments put down on Friday by a group of senior backbenchers (sponsored by the loyalist Mr Michael Mates and including Mr Michael Heseltine and Mr John Biffen) which would vary the amount paid in the charge within three bands, depending on an individual's liability to income tax.

Mr Nicholas Ridley, Environment Secretary, argued that the committee stage has demonstrated not only that nobody has got a better solution to the main subject of how to provide a source of local revenue, but the detail of the bill has stood up remarkably well. He says "remarkably little" had needed to be changed and believes opposition is weakening.

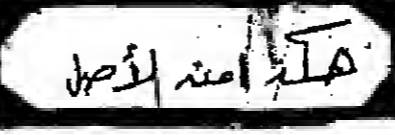
Labour has accused the Government of leaving large questions unanswered on the bill. Mr Jack Cunningham, shadow Environment Secretary, has said it is still unclear what the real effect of the poll tax would be, how the poll tax register would be compiled, and how the rebate system would work. He said it was unknown in detail how people in second homes would be taxed. Mr Cunningham also predicted

Peter Riddell on the bill to reform local government finance which returns to the political limelight in the Commons next month after 147 hours of committee debate.

The Government has issued a list of concessions made during the committee stage of the 144-clause, 100-page bill. In particular, ministers have agreed to consider whether to exempt monks and nuns; to charge non-domestic rates, not poll tax, on caravans used as holiday homes; not to make couples jointly liable for the poll tax in cases where a "collective" community charge is levied generally on hostels and short-stay bed-sitters; and to accept in principle the sanction of imprisonment for non-payment of poll tax.

In relation to the uniform business rate the Government has agreed to allow for the phasing-in period to be extended beyond 1988; to set an annual limit on losses to be paid for mainly by a cap on gains; and to consider a slower phasing-in for small businesses; to issue rules for calculating the national rate pool by January 1 each year, rather than March 1; to allow councils to remit rates on charitable and non-profit-making sporting and cultural organisations; to make central contributions to the cost of 50 per cent mandatory rate relief for charities and non-profit organisations; and to make clear that rating lists are still valid, even if they omit matters required by law.

The Government is also intending to allow the bill to outlaw "sale-and-leaseback" schemes, whereby councils have been "mortgaging" their town halls and other properties to raise cash. Ministers are to add clauses to the bill that would amend councils' powers to set fees and charges for their services.



Blackburn to be second business partnership town

By Ian Hamilton Fazey, Northern Correspondent

BLACKBURN, Lancashire, is to be Britain's second "one-town partnership" for creating jobs and developing a more stable economic base. The partnership — of public and private sectors — will be sponsored by Business in the Community and supported personally by Prince Charles, BIC's president.

This follows a year's successful operation of the Halifax-based Calderdale partnership in West Yorkshire, where a strong group of local political and business leaders has emerged to take the initiative in economic development.

By using BIC's national contacts and by the exertion of moral pressure that only its president can exert — the partnership has attracted projects and investment to the area from national business leaders who admit they would otherwise have never thought of going there even to look.

BIC, which is supported by most of Britain's leading companies and is the main body promoting private sector involvement in urban problems and economic revival, has been looking to extend the Halifax experiment for several months.

The Blackburn partnership, which will include the neighbouring town of Darwen, is being sponsored locally by Coloroll, the wallcoverings group headed by

Economic growth above 3% predicted

By Philip Stephens, Economics Correspondent

BRITAIN'S ECONOMY is set to expand by more than 3 per cent this year while inflation should remain below 4 per cent, the London Business School says in a review of the economic outlook.

The LBS says that its own projections mirror the Treasury's relative optimism, although it expects the deficit on the current account of the balance of payments in 1988 to be slightly above the official £4bn forecast.

Rising consumer spending will continue to provide the main impetus to overall growth, but investment is also likely to increase significantly.

The LBS's forecast of an annual inflation rate of 3.7 per cent in the last three months of this year compares with the Treasury's forecast of a 4 per cent rise in prices.

The LBS says that the sharp rise in government revenues over the past year allowed Mr Nigel Lawson, Chancellor of the Exchequer, to be both "cautious and generous" in the Budget. Further large and unexpected revenue windfalls, however, are less likely as the economy begins to slow.

Philip Stephens examines a darkening international backdrop to the buoyancy of the £

Unease in the longer view of the economy

THERE IS a sense in which last month's sharp deterioration in Britain's trade position provides a welcome respite for the Government.

Starling's fall against the D-mark in the wake of Friday's official figures will take some heat out of the row over exchange rate policy between Mrs Margaret Thatcher, the Prime Minister and Mr Nigel Lawson, the Chancellor.

But those in Whitehall with a slightly longer focus may feel distinctly uneasy. They may also wonder whether the Budget combination of £4bn in tax cuts and a public-sector debt repayment of £3bn was quite as prudent as the Government claimed.

Friday's figures showed a cumulative deficit on the current account of the balance of payments of £1.5bn in the first two months of 1988. That is only slightly below the gap of £1.7bn in the whole of 1987.

It should be stressed that the Treasury is probably right when it says that data for January and February are even more distorted than usual. The traditional statistical "noise" in the monthly figures, which makes them liable to substantial revision, has been heightened by two factors.

Those are changes in Customs documentation and industrial disputes in the cross-Channel ferry and car industries.

An apparent sharp fall in

exports does not square with evidence that manufacturing output has continued to rise strongly, or with surveys from the Confederation of British Industry showing still-buoyant foreign order books.

A rather smaller drop in imports equally does not fit the picture of continuing rapid demand in Britain's domestic economy.

Even the most pessimistic economic forecasters are unwilling to claim that the prospective deficit for the whole of 1988 is the £2bn or £3bn implied by the first two months.

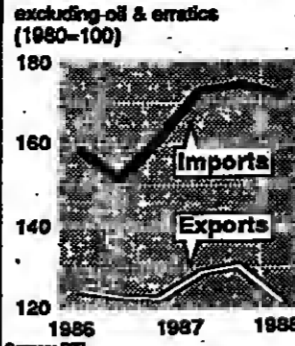
But confidence that the short-fall can be held down to the £4bn predicted by the Treasury in the Budget is decreasing. That figure is itself more than twice last year's level.

The official view that the position will stabilise in the first half of 1988 owes as much to political as to economic judgement.

Official figures for the first months of the year are more distorted than usual

The trend in visible trade over a longer period underlines the recession. In the six months to February the volume of imports, excluding oil and erratic items, rose by 6 per cent

Trade volumes excluding oil & erratic (1980-100)



against the D-Mark after the decision to abandon the previous DM3 ceiling means that the position has deteriorated further.

That loss of competitiveness may be worsened by a slowing in growth rates, and thus demand for imports, in Britain's main overseas markets. Treasury projections suggest that domestic demand in the seven major industrial economies will expand by 2.5 per cent in 1988, below the 3 per cent growth seen last year.

Britain's appetite for imports, however, looks likely to be anything but subdued. The £4bn-worth of tax cuts announced in the Budget will give further impetus to a consumer boom already fuelled by faster growth in earnings than in prices.

Economic studies suggesting that the more affluent tend to save a large slice of tax windfalls like those in the Budget are far from conclusive.

Against that background, official forecasts that domestic demand in the economy will grow by 4 per cent this year look if anything, conservative. The statement in the Budget "Red Book" that the deficit on non-oil trade will show little further change from the second half of 1987 then looks difficult to explain.

The Government can point to one or two more encouraging factors. Exporters' profits in 1987 were particularly strong, suggest-

ing that many companies can absorb some appreciation in the pound's value.

More importantly the Government has sought to emphasise that a current account deficit of around £4bn is far from unmanageable.

It represents less than 1 per cent of national income and can easily be financed by some reduction in Britain's external assets. There is no question of the Government being forced to hold out a begging bowl to the Gnomes of Zurich or to the International Monetary Fund.

Sterling's recent rise against other major currencies appears to support the case. The number of overseas investors lining up to switch their money into sterling has been a positive embarrassment.

The problem, however, is that capital flows are intensely volatile. If the trade outlook begins to look worse than the Government assumes, funds may flow out of sterling just as fast as they have come in. Equally, there is no guarantee that British holders of overseas assets will be willing to repatriate them in order to plug the current account gap.

In those circumstances, the next big exchange debate in Downing Street may be about how far the Government seeks to prevent the pound from falling, rather than about limiting any rise.

SLD hits at Labour 'silence' over Ford

By Tom Lynch

THE "CRAVEN SILENCE" of the Labour Party over the doomed Ford project in Dundee was attacked by Mr David Steel, the interim joint leader of the Social and Liberal Democrats, at the party's Scottish launch convention in Aberdeen at the weekend.

Mr Steel blamed the leftward swing in the recent elections to the executive of the TGWU for stiffening resistance to the single-union deal between Ford and the engineering union.

"The Labour leadership collectively has been able to do nothing. There has been a collective, craven silence. The trade unions provide 95 per cent of their funds. They cannot say boo to a goose, especially one that lays the golden eggs."

Mr Malcolm Bruce, the SLD's trade and industry spokesman in the Commons, said the Ford debacle would make it more difficult for Scotland to attract US investment. "The disastrous conduct of the Labour movement in relation to Ford has done Scotland immense damage. I do not believe that damage can or should be forgiven or forgotten."

"It is not just one plant that has been lost. It is Scotland's image that has been tarnished by the Labour movement."

Mr Jim Wallace, the party whip, said the affair demonstrated that Labour's claim to

political leadership in Scotland was "intellectually hollow and morally bankrupt."

The convention was a low-key affair, with a mood of some despondency among activists fearful that the damage done by the months of feuding over the merger between the Liberals and the SDP would cost seats in May's district council elections.

There was also some frustration at the inability of Scottish MPs from opposition parties — 62 of the total of 72 — to block legislation.

Mr Robert MacLennan, the party's other joint leader, said it would take "weeks, a few months" to repair the damage inflicted by the merger wrangling. "Although there is some blood on the carpet, we are now ready for the task that faces us."

Mr Steel said the end of the merger process opened the prospect of "a generous, effective future, an unstoppable force of conscience and reform."

The most effective speech in reviving flagging spirits was made by Sir Russell Johnston, MP for Inverness, Nairn and Lochaber and the interim leader of the Scottish SLD. "We are back in business," he said to applause. "And in our new unity stronger and more determined than before."

TUC in Ford meeting, Page 10

Spicer offers US power companies role in Britain

By Maurice Samuelson

US POWER STATION companies will be welcome to operate nuclear as well as conventional plants in Britain once the electricity industry has been privatised, Mr Michael Spicer, the Energy Undersecretary, said yesterday.

He made the offer in a speech to electricity utilities in Miami, Florida, where he said some of the most radical aspects of the electricity privatisation white paper had been inspired by the US electricity system.

Addressing the Southeastern Electric Exchange, Mr Spicer said that by giving nuclear or renewable sources of electricity a guaranteed strategic part of the market, the Government had "opened the way for private companies to invest in nuclear power."

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Improve NHS efficiency further, urges Moore

By Alan Pike, Social Affairs Correspondent

NATIONAL HEALTH Service performance could be improved still further in spite of recent efficiency gains, Mr John Moore, Social Services Secretary, said in a weekend speech.

Costs within a group of similar health districts could vary by as much as 50 per cent, he said.

Even when adjusted to take account of different types of patient, some districts were 15 per cent more costly than expected and others 15 per cent less.

"In other words, £1 spent on health care in one place might buy £1.15 worth of product, whereas somewhere else it might buy only 85p worth."

The Government intends to use performance indicators which the Department of Health and Social Security collects for each health district to stimulate debate about local variations in performance.

Mr Moore, addressing the British Guild of Newspaper Editors conference in Birmingham, said the indicators showed that in acute cases the national average length of hospital stay was gradually falling and the amount of time beds stayed empty had dropped, leading to an increase in the number of patients treated.

The system was becoming more efficient but there was no room for complacency. The indicators showed that there were still considerable variations in performance between districts. Some treated only 25 patients a year in each surgical bed while others managed 88.

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Scofflaws and other beasts



ANTHONY HARRIS in Washington

SCOFFLAW sounds like one of those words made up by the late James Thurber, who was obsessed with word games - indeed, I am pretty sure it was. It is also, believe it or not, the official word to describe a class of trade offenders targeted in the House of Representatives version of the vast omnibus trade bills -

1,000 pages each from the House and the Senate - now being tidied up and reconciled in a series of joint conferences.

Crafting is the Washington word for this process. The aim is to create tolerable legislation out of a vast mass of sensible, dangerous and plain silly proposals, and the craftsmen no doubt need words like scofflaw as signposts in the jungle. Taken as a whole, the bill is something like the Schleswig-Holstein question - the only man left of the few who understood it had forgotten all he knew. All that this column can hope to do is to give you some feel of the atmosphere.

The scofflaw clause itself seeks to ban imports from any company found guilty of three fraudulent violations of US customs law. It terrifies American importers, who fear that three clerical slips might put them out of business, and is one of a very large number of proposals which will no doubt be crafted out of the final bill. A number of proposals will have the main effect of which would have been to make corporate lawyers even richer, by opening complaints of injury, dumping and the like to private suits, have gone the same way.

It would not be at all safe, though, to assume that the final version of the bill will be a pure contribution to free trade. Two topics are keeping sentiment inflamed enough to be dangerous: the trade in farm products, and the question of inward investment. The negotiation of the Canadian Free Trade Area has also set off a congressional hunt for unfair trade practices just across America's friendliest border. In an election year, there are potential explosives here.

Mr Richard Lyng, the Secretary for Agriculture, is a nature businessman, and looks the part as a cigar store Indian. On the platform, though, he sounds like Rambo. He openly boasts, for example, that US farm export subsidies are "blatantly" targeted to cause the maximum cost to the European Community. Canadian and Australian producers, who find their own markets severely undercut, tend to suspect that this is just an alibi, but

the EC office here believes Mr Lyng.

It is hard to hear any European complaints, though - the EC people are doing a skilful job of defusing the issue. They sound as apologetic as they dare about the Common Agricultural Policy, and fill the congressional mailboxes with statistics showing that in spite of it, Europe is the best market American farmers have. The strong feelings are being aroused, as usual, by the Japanese.

Japan protects its family farmers (most of whom are part-timers) with tight quotas on beef and citrus fruit, and total protection for rice. Secretary Lyng uses Ghepard television techniques to make some telling points about prices: a New York strip steak (entrecôte) costs more than four times the US price in Tokyo, and rice ten times as much. This is old news, but now Zenchi, which represents Japanese farm co-operatives, has made a video suggesting that imported food

may not be safe to eat (this is in a country whose people regularly risk sudden death from raw fish).

"Nauseating," says Mr Lyng, keeping up the attack. His aggressive stance is, he claims, designed only to convince everyone that agricultural protection is a game in which everyone loses, and his claim to be acting more in sorrow than in anger is supported by the nomination of his former assistant, Dr Daniel Amstutz, as US farm trade negotiator. Dr Amstutz has been widely regarded as the soft man in the department - you lobbied him when Mr Lyng was threatening something something especially nasty. The pairing of Mr Nasty with Mr Nice is a persuasive technique well known in spy books.

The showing of the Japanese video is not an attempt by Mr Lyng to charge up the atmosphere. It was actually unscripted by the supporters of Senator Jake Garn. He is out for

the corporate blood of Toshiba (for selling high-tech submarine propellers to the Russians), and he is already in a towering rage over the derisory penalties imposed on the company by a Japanese court (a \$15,000 fine and suspended sentences for the officials responsible for the deal).

As a result, hopes that the US might soften its contentious policy on high-tech exports, and especially its claim to extra-territorial jurisdiction over foreign companies, are looking decidedly pale. It also remains to be seen whether the Senate, which is in some respects more aggressive than the House on trade issues, can be persuaded to drop its own most objectionable proposal. This would rob the President of the freedom he now enjoys in deciding whether to retaliate against US trade partners (and so start potential trade wars). Although Mr Reagan says that this clause, known as Super 301, is a veto matter, some Senators

want to call his bluff.

Meanwhile the Senate has been holding hearings on another contentious clause, this time from the House. Representative John Bryant, from Texas, is worried about foreign investment, known to its opponents as the selling of America. His amendment would force foreigners making substantial investments in the US to disclose all kinds of information which US companies can keep secret. This is strongly opposed both by the Administration and by US companies, which fear they in turn might be forced to tell all in the other countries where they operate.

The main witness for the prosecution has been Professor Susan Tolchin, a former Secretary of Commerce. She and her husband have just published a book on foreign investment, designed to chill the spine. This has had some terrible reviews, but Prof Tolchin has cunningly turned

them to her advantage: her trouble was, she explains, that it was so terribly difficult to establish any hard facts. Public opinion is quite touchy on this whole issue, especially because the Japanese (ever the bogymen) have been buying a great deal of real estate and sometimes raise reefs aggressively. A veto cannot be given for granted.

The best hope that the final bill will be reasonable is not free trade sentiment, but time pressure. Congress wants no unfinished business this summer, and there is a growing belief that the craftsmen will finish their work with a rough cut. They will put together all the acceptable parts of the bill, and drop the rest, or adjourn it for the next Administration. A bill is needed to give the President authority to negotiate in the current round of the General Agreement on Tariffs and Trade (GATT). It will also, incidentally, authorize the publication of more sensible trade figures - nobody opposes this improvement, but some Congressmen have not been above trying to use it as a bargaining counter. It is to be hoped, then, that the rumours of a shortened bill are true.

INTERVIEW

In the Hall of fame

Michael Coveney meets the director of Britain's National Theatre

SIR PETER HALL looked down through a glass wall in the National Theatre's restaurant on a milling crowd of children in the foyer. They were going to see a matinee of *The Pied Piper*, and Sir Peter beamed in satisfaction. "Into the street the Piper went Smiling first a little smile, As if he knew what magic slept In his quiet pipe the while."

The National's director was taking a lunch break from rehearsing the three late plays of Shakespeare - *Cymbeline*, *The Winter's Tale* and *The Tempest* - with which he bids farewell to the South Bank and 30 years in the subsidised theatre.

He founded the Royal Shakespeare Company at Stratford-upon-Avon and insisted upon a complementary London base at the Aldwych. He succeeded Laurence Olivier as head of the National and pursued his famous "foot-in-the-door" policy during a delayed building programme.

Whatever one's view of the National's record since 1976, the building and its contents have been an indispensible success with the public. Hence the occasional smile and beam.

But Sir Peter is raising the battle cry again. He simply will not go gently into that dark night of the West End theatre jungle, where he is to lead a company in his own name financed by the London impresario Duncan Welton and the American property magnate Jerome Minikoff. The NT has just been awarded a standstill grant by the Arts Council of £7.2m for 1983, and he feels betrayed.

The Arts Minister, Richard Luce, has secured a 17 per cent subsidy increase for the arts in Britain over the next three years, but most of that is going to benefit the regions and those most willing to raise commercial sponsorship. The four big London companies - the Royal Opera, English National Opera, the RSC and the National - are considered by the Arts Council to be sufficiently well-off, and less of a priority than other areas.

Sir Peter accepts that the ground rules have changed. The Government believes that, in a monetarised economy, the arts should be funded from two sources, public and private. "But if the Government uses the private sector as a means to reduce public subsidy, which is what they undoubtedly intend doing, then I really must protest."

"There's a feeling now in the subsidised sector, and I speak not for myself but for my colleagues, that we are simply not wanted. They wish we would just go away so they could turn the whole thing into the American model. That would be a disaster. There is no continuity in the American arts scene. And people in charge

of arts organisations over there spend their whole time trying to raise money instead of doing the job."

Sir Peter makes a sharp distinction between the paternalistic Arts Council of Lord Goodman, Jennie Lee and Lord Gibson in the 1960s and 1970s, and today's interventionist Arts Council of Sir William Rees-Mogg.

"This new Arts Council is planning in a rather scared way because they are so limited in resources. They're behaving like dyed-in-the-wool Central European socialists, making plans and dictating to Art where Art should exist. You can't draw something on a map then advertise for a director. That is bureaucratic meddling in the arts, and I loathe it. Meanwhile the Government, paradoxically, is saying that creativity must be rewarded. I think the Arts Council is betraying both the Government and us."

The RSC would not have been invented by the Arts Council.

PERSONAL FILE

1936 Born Barry St Edmund's 1953 Graduated from Cambridge, having directed over 20 student productions

1958 Director of Arts Theatre, London, where he directed the British premiere of *Waiting For Godot*

1960 Created Royal Shakespeare Company

1963 Is made a CBE

1971 Co-director, Royal Opera House, Covent Garden

1973 Director, National Theatre 1976 National Theatre opens

1977 Knighted

1984 Artistic Director, Glyndebourne

1988 Peter Hall Co founded

They properly responded to the energy of Hall and his associates. But funding is always made more readily available to institutions than to artists. Hall cites the examples of the directors Joan Littlewood and Peter Brook, neither of whom was given a subsidy to run a theatre. Littlewood pined and withered, Brook went to Paris.

Hall, in contrast, is the archetypal post-war man of action. His creativity has always had something to do with the struggle to invent the best possible conditions of work. When he published his Diaries in 1983, some of these tensions came through. The son of a station master, he won a scholarship to Cambridge, is an incorrigible workaholic, and claims to have put in a 15-hour day for 30 years. He has an appetite for battle, a delight in manipulating boards and committees, a taste for the high life of an Establishment grandee, and a liking for such pleasures as an idyllic country home near Glynde-

bourne, occasional lashings of white wine, and flights on Concorde.

He has long been a media star, dubbed by *Nova* magazine in 1982 as "ruthless and power-loving." His spectacular rise as a cultural overlord inevitably prompted resentment and distrust, culminating in many vicious attacks when he took over the National.

But Hall was obviously the man for the job. "When the NT opened, nobody wanted it. The 1960s optimism and concern about future times had by then dwindled in the envelops, impoverished and very riven society of the mid-1970s. The Arts Council didn't want it, nor did the media. The acting profession was frightened of it. The great joy and blessing was that the public did want it and supported it very strongly."

With three theatres, an expensive building to maintain, rising costs, inflation and increasing industrial unrest, the opening few years were a nightmare. Hall weathered the storm, and the winter of discontent in 1979 when picket lines snaked round the building after a plumber had been sacked for not doing his job. For the first time in his life, he voted Conservative in the General Election of that year.

"This theatre has been a mirror of what's been going on in the country at large. It is a bit like a small business, a television studio. The trouble is, it is very difficult to deal with industrial relations in the context of artistic endeavour. . . 1979 was a hellish time, but we learned many lessons and cleaned up many problems. Most people who work here now, from top to bottom, do so because they believe in what we produce and are proud to be associated with it."

Usually discreet in his public relations, Hall first broke cover and lambasted the Government three years ago, when the Arts Minister of the day, Lord Gowers, accused the National of being a spendthrift organisation and one reluctant, unlike the RSC, to court sponsorship. The Arts Council grant registered an increase of 2 per cent, 4 or 5 per cent below Hall's estimate of the amount required to maintain productivity.

Overnight, Hall was transformed in the eyes of his fellow toilers in the subsidised field from the power-mad bogymen of the South Bank to the rightful spokesman of a nation's theatre. He closed the small Cottesloe auditorium to make his point. He admitted having cried wolf in the past, but announced that the wolf was now really at the door and kicking her lips.

Had he not survived pretty well since then? The Cottesloe soon re-opened. The National



continues to sweep the board at awards ceremonies. Judi Dench has been a triumphant Cleopatra, Anthony Hopkins has played King Lear 100 times, Alan Ayckbourn has written his first "state-of-the-nation" epic, Michael Gambon has emerged into greatness in Arthur Miller, there have been West End transfers, work by Brenton, Hare and Edgar, a triumphant International season. Attendance was still good, nobody perceived the National to be up against it. Why was he still moaning?

"The arts are always very good at improvising. We've raised three quarters of a million pounds in sponsorship, we have very good box office, we have streamlined our operation. But we are just punished for our success. Richard Eyre and David Ainke, the booming directorate, are facing a future with fewer resources and will therefore be able to do less work."

What upsets Hall is that the system, based in the ideals of ensemble companies which promoted the early careers of Olivier, Ralph Richardson, John Gielgud and Peggy Ashcroft, is in his view, under threat. The great achievement of the RSC was to link those ideals to a mod-

ern, scrupulous attention to Shakespearean text, and to cultivate a parallel new-plays policy to keep in touch with the present.

By and large, if we ignore the recent aberration of the musical *Curse*, these remain the aims of the RSC. New plays are part of the National's concern, too, together with a much wider belief to trawl the limitless seas of world dramatic literature. There is undoubtedly a backlash against the privileges of companies funded to do these things. A new Philistinism goes hand in hand with the new Puritanism - a trend, in Hall's view, that lies behind recent newspaper attacks.

The Shakespeare trilogy opens in the Cottesloe in May, travelling soon after to Moscow, Leningrad and Tokyo before returning for a season in the large Olivier auditorium in September.

On the first day of that month, the baton changes hands: Unlike Prospero, Sir Peter will not break his staff or crown his book, but will be fully immersed in his new company, which will produce plays in the first place at the Haymarket Theatre. "I really don't feel any less energetic than I ever did. I want to do some 19th century plays. I've never done *Granville Barker*,

and I've only ever done one Chekhov and one Ibsen. And there's Shaw."

Hall's daughter Jennifer, by his first wife Leslie Caron (he has been married three times; currently to the opera singer Maria Ewing), will play *Miranda* in *The Tempest*, a play of soothing validation in sharp contrast to the temper of Hall's own mood. You sense that, apart from expressing a wounded pride and vanity, he is fighting for a standard of theatre which remains the envy of the world. And for the principle of subsidy which has created that standard.

So, no *Tempest*-like abjuration of rough magic. But a lesser work load, perhaps, for a man who once told me that he would have time for at least two more major jobs after the National. I thought in terms of British Steel and the BBC. How on earth will he cope with no real power base? He is after all, only 58.

"I don't know yet. I cannot see my last for running things being entirely assuaged at the Haymarket. You might mention in your august pages that I wouldn't mind a few seats on a few boards." Chairman he would. This man is dangerous.

The fallibility of judgment

A 17TH CENTURY Lord Chancellor, Francis Bacon, once wrote that an over-speaking judge is no well-tuned cymbal. He was of course referring to the talkative judge who interferred too much in the process of trying a case in court. If that injunction has generally been observed down the ages by English judges, it has had an even more profound effect when the mantle of judge is dropped and he becomes a citizen whose professional work attracts public attention.

English judges have rarely given interviews to journalists or broadcasters. In modern times successive Lord Chancellors have adopted the excessively cautious approach that for judges by course referring to the talkative judge who interferred too much in the process of trying a case in court. If that injunction has generally been observed down the ages by English judges, it has had an even more profound effect when the mantle of judge is dropped and he becomes a citizen whose professional work attracts public attention.

Many contemporary judges have found the constraint fittingly absurd and wholly unnecessary as a means of maintaining demonstrably both their impartiality and independence. The general view among lawyers has been that a judge should be allowed to speak publicly on all matters of public concern, refraining only from commenting on acute politically controversial matters.

Almost one of the first pronouncements of Lord Mackay of Clashfern when he became Lord Chancellor last autumn was to remove this enforced silence. He directed that the individual judge should decide for himself whether to participate in any public discussion, leaving it to his discretion whether anything said would be inconsistent with his judicial function. The public should at least be given the opportunity of learning a little about the identity of those who sit in judgment in our courts of law. Who are these people who interpret and apply the law in our name?

At last the curtain has been raised. For the past three weeks listeners to Radio 4 on Wednesday evening have been able to hear judges discussing on their work. The public has learnt a bit about how judges go about their work, with a hint here and there about their priorities in the social order and even their personal prejudices. Nothing so far could have caused the traditionalists the slightest perturbation.

The first to succumb to the microphone was a Circuit Judge who sits in Sheffield Crown Court. Judge Alan Simpson spoke revealingly and endearingly of



his own shortcomings. He confessed to a certain impatience on the Bench - "My fuse is fairly short." As a barrister until his appointment three years ago he had always respected his fellow advocates who could keep their patience in the most trying circumstances: "I'd like to be like that, but temperamentally it is difficult." He also admitted to another besetting sin of judges, that of talking too much. He explained how difficult it is for those used to talking to sit for hours concentrating on what is being said and not to escape the rigours of that function by interjections.

Judge Simpson supplied the evidence for the fact that the evidence of the judicial robe does indeed change the man within it. Through training, judicial habits, self-discipline and that fortunate alchemy by which judges adhere to the obligation of judicial conformity to legal principle and precedent, they achieve the essential difference between the citizen and judge. Listening and adjudicating dispassionately, and submerging private views of a case, are the hallmarks of the judge.

The following week the listener would have heard an urbane and cautious exposition of much the same approach to the problem of judging from Mr Justice Macpherson. Last Wednesday the series moved on to hear from one of only four women who have become High Court judges. Mrs Justice Booth, who sits in the family division of the High Court, dealing daily with intensely difficult decisions over the lives of children, was similarly candid about the pitfalls of judicial decision-making. She disarmingly said that she was apt to deliver homilies from the Bench: "I'm sure I moralise in public - I can hear myself doing it on occasions - it's a very bad thing. I deplore it. I'm very sorry if I do it."

The embargo on revealing the contents of the next three interviews - of the Vice Chancellor, the Lord Justice Clerk of the Court of Session in Scotland and an English Law Lord - precludes any discussion of their recorded contributions. Suffice it to say, they provide compulsive broadcasting.

If the first three judges disclose a high degree of modesty their contributions serve only to remind the public that judges are fallible human beings performing a difficult task. The interviews exemplify the motto of one outstanding judge of the present High Court who said on his appointment that he regarded his job as immensely important, and that he was of no importance.

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JAPAN AIR LINES

*When you've had a few and you're miles from home,
it's not your brain that does the thinking.*

These words were spoken by Robert. Four years ago he was diagnosed as HIV positive. (HIV is the virus which causes AIDS.)

He has never had a homosexual experience, nor has he ever injected drugs.

He is 42 years old, and until recently he was an executive with a large multinational company.

To protect him, his name and some of the details have been changed, but in all other respects the story is true.

"You could say I'm part of the generation that thinks it invented sex.

I'd always taken it for granted that easy sex was my birthright, and during 20 years of working life I had plenty of chances, because travel was a large part of my job, mainly in Europe.

I'm not saying that all businessmen when they travel behave like I used to.

But enough of them do, and enough of them are going to screw up their lives if they carry on.

TEMPTATIONS.

When you're on your own abroad and you've just finished a tough day, you feel you deserve something more exciting than bed with a good book.

Drinks, dinner and drinks might kill three hours, but by then it's still only 10 or 11 o'clock and a lonely bed beckons.

When I was in that situation, and loosened up by the booze I'd be looking for a girl to chat up.

But if that didn't work, I'd be quite happy to pay for it.

If I was with a crowd of colleagues, and the drink had done its work, we'd end up egging each other on.

Someone would say half-jokingly, 'Let's have a look at the red-light district,' so we'd all lurch off down there.

Many of the people I was with, of course, would never dream of behaving like that at home.

At other times I'd be visiting client companies and I'd go out in the evening with them and their wives.

Often, a companion would be provided for



me at dinner. Sometimes she'd be a secretary or PA. with the firm, sometimes not.

Most of this, of course, was before the age of AIDS. I never wore a condom, because at that time people just didn't.

In any case, the biggest danger casual sex seemed to hold then was a dose of clap (which I never got).

If I could have that time of my life all over again, I'd think at least twice before having casual sex.

And if I ever did get tempted, I'd always use a condom.

If anyone thinks they'll find this difficult, they should keep reading.

CONSEQUENCES.

In 1980 I was very ill for six weeks.

After that, there was no more trouble until several years later.

I became ill again. I wasn't getting any better and nobody knew what was wrong.

I was living abroad at the time, and I went back to London for a blood test.

When they told me I was HIV positive, I went absolutely numb. I don't know how I got home. I wasn't really conscious.

It was like being told I was going to die, and that knowledge almost destroyed me completely.

I locked myself away.

I rejected other people, I could never have coped with them rejecting me, so I simply made their minds up for them.

I haven't told my parents because of the hurt that it will give them.

But from this time, there is one moment that haunts me above all others.

I was walking past a café one evening and at a table by a window I saw a boy and a girl of about 17 kissing and cuddling.

I burst into tears at the horror and misery of seeing what I felt I'd lost forever.

When it comes down to it, it isn't difficult to die.

What's difficult is living with a death sentence over you and knowing that you've lost so many things that make life worth living.

So, before you put yourself at risk of being infected, ask yourself one thing. Are you strong enough to cope with what I've been through?"

AVOIDING AIDS.

Eventually, with help, Robert learned to build a new life and start living again. He has not yet developed the full disease.

But since he became infected, the risk of AIDS has substantially increased, both in this country and abroad.

Unprotected sex with just one person with the virus can be enough to infect you, and you can't tell who has it by looking at them.

(Even if you ask them, they might not even know themselves.)

And the more partners you have, the more chance you'll come into contact with someone who has it.

If you have sex with a new partner, make sure it's your brain (and nothing else) that does the thinking.

Always use a condom.

Your life could depend on it.



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FRAMATOME

THE FUTURE IN MIND.

FINANCIAL TIMES SURVEY



The south-east Wales town of Newport has thrown off the gloom created by its big steel redundancies in the early 1980s and is now in optimistic mood, boosted by the impending arrival of TSB and the Patent Office, and the proposed construction of a second Severn crossing. This survey was written by Anthony Moreton

A buzz of confidence

"IN THE LAST 18 months this town has really started to buzz. The economic improvement you can see around the country is being reflected here in Newport, too. There is an air of confidence that is surprising in its strength." The speaker is Mr Andrew Kilsby, senior partner of the Touche Ross office in the south Wales town. Mr Kilsby is in a good position to monitor change: he arrived four and a half years ago from Bristol and has lived with the transformation. "I came from Bristol, where things were really happening. New financial and service industries were coming in and the spin-off was dramatic. Bristol, when I left, was everything that Newport was not. Now, the new firms are beginning to move past Bristol and settle in Newport."

The recession hit Newport before the rest of the UK, according to Mr Brian Adcock, Newport Borough Council's Director of Development. "Between 1976 and 1981 the numbers in employment fell by about 18 per cent at a time when the average decline for the UK was only 4 per cent. There was a substantial decline in employment opportunities." Most independent observers agree that the watershed, the change from being an introspective town to one happy and anxious to develop outwardly, was about twelve to eighteen months ago although its antecedents can be traced back to the big steel redundancies of the early 1980s. The new mood has been given an important boost more recently by two announcements: the decision, just before Christmas, by TSB to move its trust company operations handling general insurance to the town; and the switch by the Patent Office from London.

These two are important not just for the jobs they will bring immediately but also for what they hold for the future. The TSB chose Newport in preference to Bristol and Solihull after it had looked at 30 locations in all. That sort of top level decision has important knock-on effects on others looking to relocate. The employment consequences are not unimportant, of course. TSB expects to employ 400 people in Newport by the end of next year but in the longer term that figure could rise to 2,000. The Patent Office move brings the prospect of a further 800 jobs, giving service industries in the words of Mr Peter Walker, the Welsh Secretary, "a wonderful lead to relocate in this part of Wales."

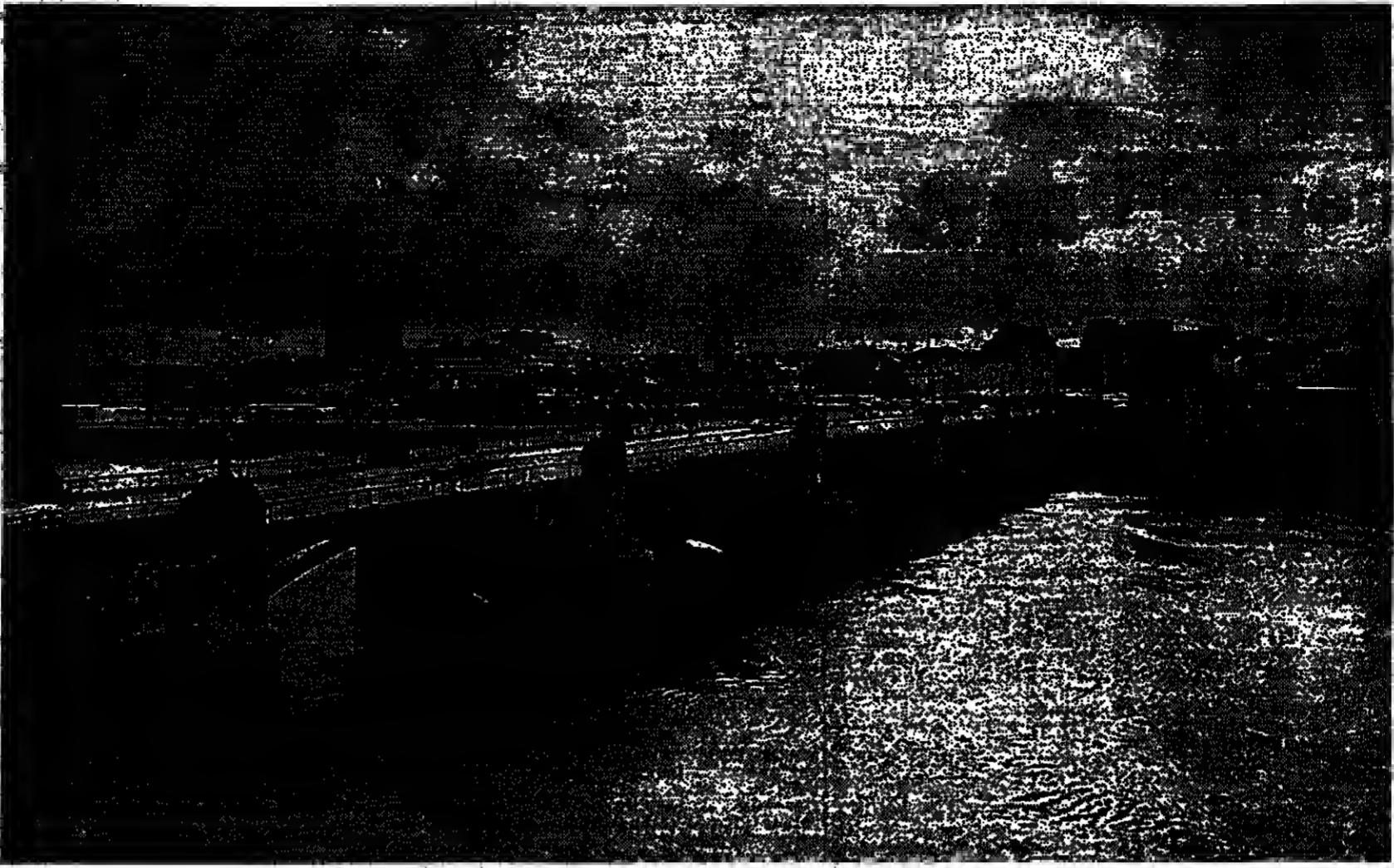
The attractions of south east Wales for the financial services industry are about to be highlighted by the Welsh Development Agency which will put Newport even more in the centre of the spotlight since the town is the gateway to this sub-region. The other important consequence of the moves by TSB and the Patent Office is that their arrival will make a major contribution towards the diversification of the economy. Newport has always been an industrial town, with a strong emphasis on steel, general engineering and other metal-bashing industries. Even today, it has about a third of its work force in these activities, a higher proportion than the national average. That industrial base has, though, been changing significantly. The new arrivals have been at the higher technology end of business. The main prop to the economy remains the giant British Steel Corporation's Llanwern works, one of the five vertically integrated works in the UK, employing 4,100 people. Together with other BSC works in the town the corporation provides work for over 5,000 people, most of them men.

There are too other major traditional names such as British Alcan, Black Clawson, Glynwed, Monsanto and STC. But over the past decade a number of concerns have arrived to take advantage of the town's position - on the M4 motorway, equidistant from the industrial West Midlands and West London - bringing with them the different skills of the late twentieth century. AB Electronics, one of the largest native Welsh concerns

employs 700 at its surface mount technology facility for the assembly of printed circuit boards and finished products. Last year the company also opened a technology centre in the town. Imnos arrived in the early 1980s, along with Mital, at nearby Caldicot. The Welshman who started Mital in Canada, Mr Terry Matthews, is presently building a new company, Nowbridge Engineering, just to the north of Newport. National Panasonic makes consumer electronics, Plessey makes sonar systems and, also outside the town, another Japanese company, Aisa, is in the process of expanding its consumer electronics facility. Smaller companies like Pulse Electronics, a 2500,000 buyout, and Co-Channel Electronics, which makes mobile communications equipment such as car phones, illustrate that the small fish have also helped to develop the economy away from metal bashing.

The catalyst for much of this change, according to Peat Marwick's Mr Parkinson, was the enormous rationalisation programme at British Steel in the early 1980s. "The town had become rather complacent and that event pulled it up with a shock, which did nothing but good." After the redundancies at Llanwern the steel works came back to break production records, a signal that the town could not only survive serious surgery but also exist healthily. The upswing was helped by the Government and the Welsh Development Agency stepping in with a massive advance factory building programme between 1980 and 1984. Eight years ago, according to Mr Mike Shukman, the agency's local manager, "the WDA had just 21 tenants in the town. Now we have about 150, a very big step forward."

Outside industry, more recent moves have seen finishing touches being put to plans to transform the river frontage, provide new access roads from the motorway, and redevelop the town centre through a £70m scheme that will provide, in Debenhams, the first major departmental store. Within this undoubted success story, there are, however, seeds of both conflict and trouble. The Chamber of Trade is adamantly opposed to the town centre redevelopment being undertaken by the Burton Property Trust because of what it sees as Burton's insistence that there should be 48 shops in the scheme. Mr M H H Cordy, of the Chamber, says there is "no justification" for such an increase in the shopping area, amounting to 45 per cent of the town's existing total, and that demolishing "a thriving shopping area to make way for the development will lead to the loss of over 30 businesses." There is, too, a danger that Newport's ability to continue to attract new service industries will be hampered by its shortage of good executive housing. Too many old houses populate its streets. Plans for at least another 500 have been sanctioned, Mr Adcock says, but Newport has reacted slowly to the need to encourage the private developer. The arrival of new workers associated with incoming companies also threatens to force up prices. "There is already evidence of considerable outside interest in Newport's relatively low-cost housing. One BSC executive put his house on the market earlier this year and three of the first four inquiries he received were from people wanting to move out of Bristol." The town could also find itself faced with a shortage of the sort of skills the new companies need according to Mr Ray Purnell, director of the Gwent Employer Network. "With the numbers coming onto the labour market dropping as school rolls decline, this could be a nasty problem."



NEWPORT


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Pictures by Alan Harper

A promise of a brighter tomorrow, as early evening storm clouds begin to disperse over Newport's Usk bridge

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Newport

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NEWPORT 2

The local economy
Southern outpost

NEWPORT HAS always been a substantial centre of manufacturing industry and, to this day, it has kept that part of its economic base.

The strength of the town was originally built on its port, exporting coal mined in the valleys to the north, steel and engineering, and minor metal-bashing businesses. And, while the nature of these industries has altered with the times, there remains a substantial core of heavy industry.

The most obvious traditional industry presence is the giant Llanwern steelworks, on the eastern outskirts of the town which has a capacity (though not at the moment an output) of 5m tonnes a year. Llanwern is one of the five major integrated works in the country and can stand comparison with those on the Continent. Any town which has over 4,000 workers in one plant is home to very big industry indeed.

Basic steelmaking is not the end of the Newport steel story. In and around the town there are tinplate, electrical steels, other steel specialities and stockholding concerns. The new dual-carriageway north to Risca skirts a plant belonging to Glynwed Foundries, a concern more closely associated with the industrial Midlands.

In many respects, Newport is a southern outpost of the industrial north, arguably the only major

centre south of a line drawn under Coventry-Birmingham. It bears more resemblance to northern towns such as Blackburn, Gateshead and St Helens in the type of industry it accommodates.

That industrial base is, however, changing. New industries full of white-collar workers, many of them with degrees, even higher degrees, are making their way into the Uskside town.

Communications have played an important part in this change. The M4 skirts the town and an M5 link makes it convenient for reaching both the south-west of England and the heart of the Midlands. It is little more than two hours' drive to Heathrow and, traffic willing, half an hour more into the City of London, a frequent express train service links Newport to Paddington in around 90 minutes.

In short, Newport is not out on a limb, but rather an extension of the Thames Valley high-tech belt and it has begun to attract a number of the late 20th century industries which have congregated along the M4 corridor.

Innos was among the early arrivals, as was Mital. Mr Terry Matthews, the Welshman who founded Mital in Canada, and set up its European plant at Caldicot, near Newport, has now moved on to set up Newbridge Engineering to the north of the town.

One of the largest Wales-based

companies, AB Electronic Products group, last year opened the Henry J Kroch Technology Centre in the town. Named after the founder of the group, the new facility is being geared to act as a focus for liaison and co-operation between industry and academic life.

Not a native, but still a major national name, Lucas has had a subsidiary, Lucas Girling, in the area for some 40 years. The plant is a major world leader in the field of brake technology for the motor industry and, although it is just outside the town, the size of its workforce, 2,000 at Cwmbran and 1,400 at Pontypool, gives some idea of its importance. Another company to have celebrated a 40th anniversary is Black Clawson International, an American concern whose Newport offshoot is a major supplier worldwide to the paper and board industries.

As in other towns, service employment has come to be increasingly important. Newport has long been home to the Business Statistics Office, an early example of the Government's dispersal of civil service departments. But the interesting thing about Newport is that it has more or less held its share in the manufacturing sector. About one person in three is employed in manufacturing and, while this has dropped over the past decade, the fall has not been significant.

Usk Barrage

Inglorious mud flats

AT THE heart of the regeneration of Newport is the proposal for a barrage. The Usk is a fine river, one of the best for trout in the UK and it passes through some of the loveliest countryside in Britain.

But at the point where it meets the Severn estuary upriver beyond the town, it is anything but lovely. The remains of past industrialisation litter its banks and, as the river cuts its way through the soft soil, it weaves a drunken passage through the town.

The Severn has one of the greatest tidal rises and falls of any estuary in the world, with the result that at low tide the river Usk exposes its banks rather like an orang-utang exposes its gums.

The proposal for the barrage, one of many that are under discussion around the Welsh coast, emerged from discussions on the town's southern link road. At some point this planned road, sweeping from the M4 in the east down towards the coast and then flattening out rather like the bottom of a pudding basin before rising again to meet the motorway, has to cross the Usk.

The original idea was for a bridge but eventually the concept of the road and bridge being integrated into a barrage to raise the water level in the river, cover the mudflats exposed at low tide and create a more attractive waterfront environment, came to the fore.

Now, the barrage, which is likely to cost between £35m and £40m, is seen as integral to the development of the town, allowing for the rebuilding of some of its most run-down parts.

At the same time as a debate about the practicalities of what to do about the road was being generated within the town, there was a parallel discussion of what to do about its image. Newport, to the outsider, was seen in much the same light as the rest of South Wales; a place of highly concentrated industry, especially coal and steel; a sort of northern town to the west of Watford.

On one level, the barrage was

seen as a redefinition of this image. Wales is not like the industrial north, but it was admitted that so long as the gateways to the Principality remained "sub-standard" then potential investors would be scared away. The barrage will allow one of the areas of dereliction to be born again.

Newport has already attracted a considerable number of high-tech concerns: Innos, National Panasonic, Mital, AB Electronics and Flessey among them, more recently it has been the focus for incoming white-collar service jobs, led originally by the Government's Business Statistics Office and more recently by TSB and the Patents Office.

The barrage development would further the town's aim of fostering a tourist trade, not such a misnomer as might appear since at Caerleon nearby is to be found one of the largest and most undervalued (by outsiders) Roman remains in Britain, far bigger and more important than the more famous remains in York.

It is hoped that tide-free water-side of the river Usk will attract developers to provide upmarket housing. But equally, industry will not be neglected, since it is considered essential to have a mixed development on the site.

Housing is absolutely crucial. Newport does not have a large stock of new houses of a standard acceptable to the executives it wants to attract. Some executive homes have been built recently and there are plans for more, but if the town is to take off, good houses by the side of the water are essential. The ability to attract more service jobs could hinge on the barrage development not only for what it is but also for the prospect that it offers.

There are major problems to be tackled before the barrage can succeed. Companies using four working wharves will have to be accommodated elsewhere; the 12 raw foul sewage outfalls into the Usk will have to be picked up by new sewers and taken to a treatment works. However, the problems are not insurmountable.

Town centre redevelopment

£70m shops scheme

Alongside the economic developments that are helping give Newport a new sense of identity, the town is also to get a new shopping centre.

The development scheme is, moreover, the sort of initiative now much beloved by our political leaders, a partnership between public and private enterprise with the possibility of an urban development grant helping the scheme along.

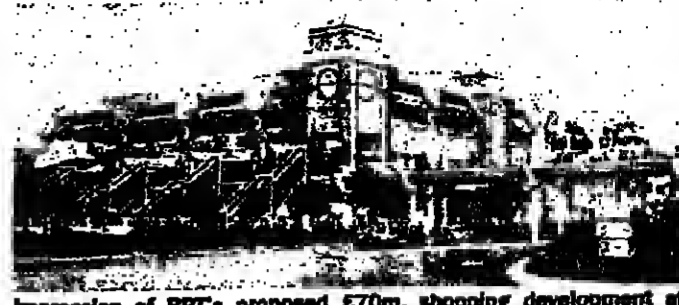
The £70m scheme is being undertaken by the Burton Property Trust, the development arm of the Burton group best known for its high street shops, in conjunction with architects Seymour Harris Partnership of Bristol. Newport provides the land, the company develops the town gets 1,000 jobs, most of them new ones; Burton provides a Debenhams department store; the town gets a redeveloped and upgraded bus station and a larger car park.

The proposed scheme, on which it is hoped to start work early in 1989 and complete 2 to 3 years later, originated with the local authority's consideration of ways of improving its bus station, by then beginning to show the frayed edges that afflict so much of 1960s architecture.

The station lies between the heart of the town and the river and, while its site is convenient, it lacks all atmosphere and visual aesthetics. Newport approached a number of developers and eventually accepted a plan put up by Burton. Burton Property Trust undertakes both development and refurbishment of group properties and looks for towns in which it might build a Debenhams store, the chain it acquired a few years ago after a bitterly contested bid battle. This acquisition allowed the trust to become engaged in town centre developments as well as store building and refurbishment.

BPT had already identified Newport as one such potential site when it was invited to submit a scheme. Since the takeover, Burton has been spending a lot of time giving the Debenhams stores a more modern image. The way forward can be seen from the refurbishing of its Oxford St flagship in London, with a large, and now ultra-fashionable, atrium. The new format can be seen also in Colchester and Preston.

Newport is far smaller. Miss



Impression of BPT's proposed £70m. shopping development at Newport

Janet Neal, who is in charge of the Newport scheme, says that we really need to be able to create a selling area of between 250,000 sq ft and 300,000 sq ft to take on a project. This is what we call the "critical mass". Newport just comes within this parameter. The two storey building that will emerge will have about 270,000 sq ft and will be designed to complement the surroundings.

Similar, though slightly larger, developments being undertaken by the group include the refurbishment of the Plymouth store as part of the rebuilding of the centre of the city, and others at Coventry and Exeter.

Our starting point, says Miss Neal, has been to build in such a way that other buildings in the centre of the town are not disrupted. There is some superb Edwardian architecture if you stand back and look along Commercial Street, the main shopping street, and we wanted to marry in with that.

Commercial Street is already home to Marks and Spencer, Littlewoods, British Home Stores, the leading building societies and other major retail groups. It has been pedestrianised and is the focal point for shoppers.

Behind it, the local authority has developed a new shopping precinct in John Frost Square, but this is a less happy location and it is hoped that the new development will uplift this part of the town, too.

Debenhams will complement this because, with the exception of a small Owen Owen and a smaller Wildings, a local concern, there is no real department store. When completed, the Debenhams development will contain many of the now universally-accepted concepts about shopping. It will have split-level entry, facilitated by the fact that the land in

Newport falls away from the town centre towards the river-side.

There will also be a doubled car park over which Burton will keep control. "We always keep tight control over car parking," Miss Neal says, "because it is integral to the success of our stores. We need to ensure that the park links closely with the store. Families want to come into town and park as near to their shopping needs as possible. If they can't do this they might go elsewhere."

There will be spaces in the development for 500 cars, not as large as to be found in out-of-town sites built by the likes of Asda, Sainsbury or Tesco but still good by town centre standards.

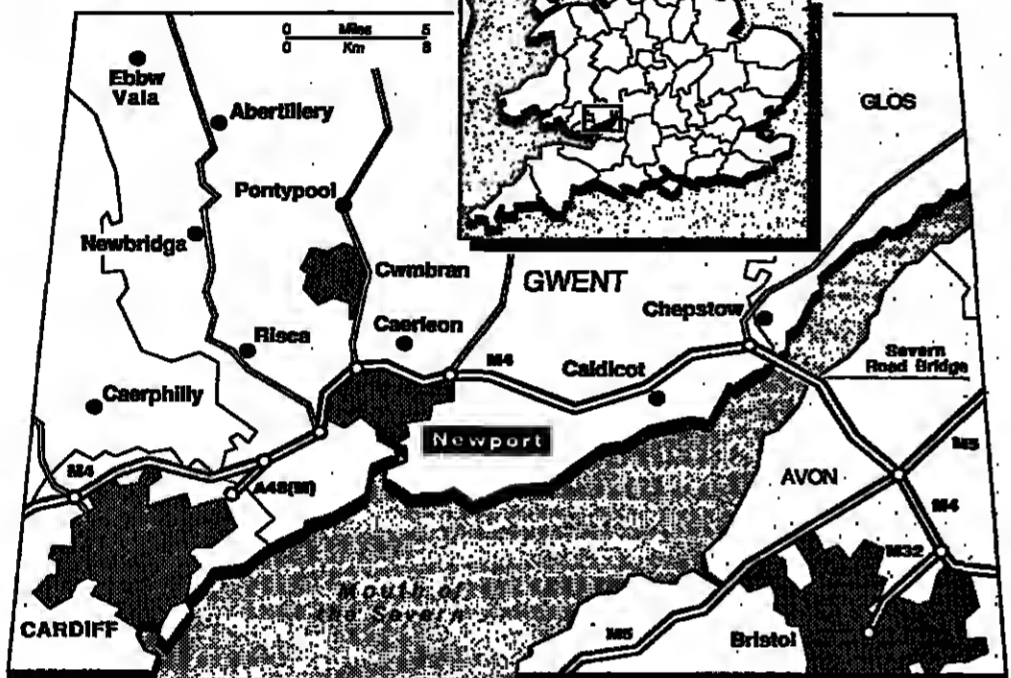
There will also be other shops, too. The plans provide for at least 40, in addition to the Debenhams.

The development will do much to enhance Newport, not least by giving it a greater sense of identity. While Newport has been a focus for shoppers from the Gwent valleys, it has long had to compete with Cwmbran, the one time new town, which has had its own comprehensive shopping centre plus free parking.

Cwmbran itself is currently undergoing a major refurbishment which will, enhance its attraction.

Newport has also suffered from its proximity to Cardiff and nearness to Bristol.

Faced with these attractions, Newport has inevitably developed something of an inferiority complex. The grass often appears to be greener elsewhere. The importance of the Burton development is that it offers the town the opportunity to develop a pride in its own shopping centre and complement the economic changes which are working to Newport's advantage.



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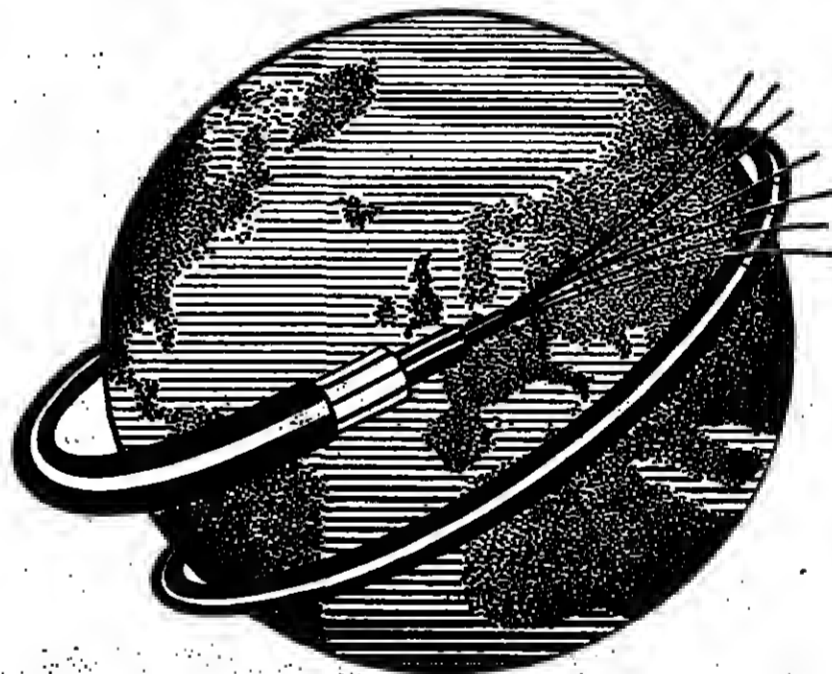
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NEWPORT 3

BSC's Llanwern steel plant is now internationally-competitive and...

Facing a privatised future with confidence

EVERY DAY lorry-loads of body pressings leave the Llanwern steelworks plant for the short drive to British Leyland's freight assembly yard outside Cardiff before beginning their journey to Ford's motor plant at Dagenham or Austin Rover's Longbridge works in Birmingham. Several times a week complete trainloads of the body panels make their way out of Wales to the motor plants.

At the same time, Llanwern is sending coils of steel north to the British Steel Corporation's Short plant in north Wales for coating, a rising and profitable business.

Llanwern is the largest employer in Newport and, as such, crucial to the economy of the area. It employs 4,100 people and with the associated Orb works, turning out electrical steels, which has a workforce of 820, and Whiteheads, whose 800 men make narrow strip, BSC accounts for 5,000 people.

Once - not so long ago - it was a lot more. When both Llanwern and the European economy were producing fit to bust, it employed 9,200 at its peak. But those days have gone, undermined by the recession, EC-imposed quotas and more efficient

work practices. Steel, says Mr Peter Allen, managing director of BSC Strip Mill Products, is now a highly competitive, highly international business. Llanwern, one of the five main integrated plants in the UK (alongside Port Talbot, Scunthorpe, Ravenscraig and Tees-side) has played its part in helping BSC become one of the most efficient producers in Europe.

"We have put an enormous amount of investment into Llanwern since 1980," says Mr Allen. "A decade ago it took eight hours to produce a tonne of steel. Today that figure has been reduced to 2.5 hours."

The aim has been to create the market conditions in which Llanwern can compete with anything else in Europe. The Far East is another matter, Mr Allen admits. Llanwern's 5m tonne a year capacity may be large by European standards but it is small by comparison with the new giant works - Llanwern is a product of the late 1950s - introduced by the Japanese and South Koreans.

"Even so," he says, "we have brought manning levels to the point where, allied to the new investment, we are now internationally competitive. That investment has also made the plant

more responsive to market needs. Investment, productivity and marketing are the three cornerstones of what we have done here."

Llanwern is, of course, not producing at capacity. Its actual tonnage is about 2m tonnes a year, and fears have been expressed that, with Ravenscraig producing about the same, there is little need for both.

Mr Allen will not be pressed on this subject and in front of privatisation, which is now drawing closer by the day, it is most unlikely that any difficult political decision will be taken. But once the state-owned corporation is turned into a private company the management would be free to make decisions based solely on considerations of profitability.

Llanwern has a lot going for it if it came to a crunch between itself and Ravenscraig. Although it could not absorb all of the Scottish plant's output it could share the load with Port Talbot, which is also operating at about two-thirds capacity, and in any case has vital downstream processing activities not now available in Ravenscraig.

Merale is helped in Newport by the amount of investment going into the plant. A multi-million pound continuous casting line is being put in for the first time, and should be on stream this summer, bringing the works into line with BSC's other four integrated plants. This will allow for the production of cleaner steel - cleaner of impurities, that is.

This summer, too, a £10m gas recovery project is being undertaken, which will help energy conservation. No longer will the full stack flare the waste gases,

instead, the heat will be rechannelled back into the works. Another investment will be the introduction of a vacuum degasser to work in parallel with the continuous caster. This should be commissioned about the middle of next year.

All these investments help BSC to get the extra added value out of products which allows profits to rise and further jobs-securing investment to be undertaken.

One example of the way in which this works concerns the motor industry. For years the motor manufacturers bought uncoated sheet and coated it themselves. Now they want coated sheet for the bodywork and underfloor parts. BSC will increasingly supply coated products, a move that Mr Allen describes as a very big change.

While Llanwern dominates the economy, both the Orb works and Whiteheads are significant players. At the Orb works sheets of steel is produced with the highly precise magnetic qualities used for electric motors and transformers. All the electrical steel made in the UK comes out of the Orb works.

Nearby, Whiteheads produces the narrow strip that is needed for end uses such as the bicycle industry, electrical components and office equipment. It also specialises in items such as security fencing, road safety barriers and lintels for the building industry.

If the immediate hinterland of Newport is taken into account BSC is economically even more important. At Ebbw Vale it employs some 2,000 in the thimbling works and at Panteg the speciality is stainless steel. A multi-million pound project to install the first horizontal billet caster in the UK is under way. It should be ready for commissioning later this year.

There are also stockholding centres at both Ebbw and Cardiff, not more than 10 miles away, so that BSC almost certainly has an influence over at least 10,000 jobs in the wider area.

The corporation is by far the largest employer in the area. When the TSB decided to relocate its trust services operation to the town, civic leaders were delighted. But the most optimistic estimates of its employment potential postulate a workforce of some 2,000 by the 1990s.

British Steel is providing work, directly or indirectly, for four times that number now. That is a measure of its importance.

Mr Peter Allen, managing director of BSC Strip Mill Products.



Aluminium rolling

Alcan consolidates

NEXT MONTH British Alcan Sheet brings into operation the fruit of a £15m investment at its plant in Rogerstone that is intended to consolidate its place as one of the leading producers in Europe.

The works, part of the giant Canadian concern Alcan Aluminium, is already one of the most efficient in Europe, having the knee only to its sister company in Düsseldorf and Pechiney in France. The present investment, which is intended to allow the production of bigger coils, will enable it to leap-frog the French.

There is still some way to go before production levels match those in Germany. But Mr Dale Thomas, the plant's director of operations, points out that Düsseldorf was a greenfield site not so long ago compared with Rogerstone, which in 1990 comes up for its half-century.

Increased production and higher productivity are, as he readily admits, directly related to capital investment and he has schemes to put to the board that would narrow the gap with Germany significantly.

That is for the future. "What we have done here in Newport," he says, "is to consolidate our place in the town. I see this investment as securing the jobs of the 1,200 people here into the next century."

That is important, not just for the company's workforce, but for the whole network of companies that trade with Alcan.

The investment is also about the transformation of the company from an important player in the local economy into something much larger, a European company rather than just a British one.

Alcan is best-known to the wider public as the producer of Baco, the foil wrapping that covers anything from the Sunday joint to tomorrow's lunchtime sandwiches. All the Baco foil sold in Britain comes out of the Rogerstone plant on the northern edge of Newport.

There is much more than that, of course. Rogerstone produces lithographic sheet for printing, secure voice tapes for the telephone industry, paint stock, household products for industry, heat

exchange material, mainly for the motor industry, and aircraft sheet, the outer skin for seaplanes.

Some of London's buses and most of the Tube trains are made of aluminium; so is the outer skin for Liverpool's Garden Festival building. Deckchair frames and cotn blankets are made from the product.

This is a £140m-a-year business. The market is growing and Alcan is winning a bigger share of it, Mr Thomas says. Turnover in the region of £15m this year. Not all that comes from Rogerstone since there is an associated plant at Falkirk but his works contributes the major share of the total.

Rogerstone produces all the hot-rolled product and supplies some of the end-product to the cold-rolled line at Falkirk. It also produces cold-rolled itself.

The first steps have already been taken to integrate Newport into company plans within West Germany and Italy so that by 1992, when the EC hopes to introduce a single market, Alcan will be perfectly positioned



Hot rolling of aluminium at British Alcan Sheet's Rogerstone works

to take full advantage of it. More important, than just consolidating the company into a fully-international concern.

Recently, as a head office decision, one North American plant supplying Ford in Detroit was closed and its business transferred to Rogerstone.

The result is that Rogerstone now has a £2m-a-year business - a figure that is rising - supplying brass coil to the American car giant. Ford takes this product for use in radiators but it also has wider applications in industrial heat exchangers, oil coolers, brazed assemblies and air-conditioning units.

It is full, though, which is the bulk of the business. Every night two trains roll into Cardiff with aluminium ingots from British Alcan's smelters at Lynemouth in Northumberland or Port William and Kinlochleven in Scotland. The ingots are transhipped by road into the works, a dozen miles from the railhead, and emerge as hot or cold-rolled before going on for processing.

This is a round-the-clock operation, seven days a week. The way to improve productivity is to get bigger ingots going through the system to get bigger rolls. Ingots weighing almost eight tonnes are hot-rolled at Rogerstone down to a thickness of 3mm and cold-rolled then reduces that thickness to 0.5mm.

Mr Thomas would like to see 11-tonne ingots going through the system.

The Newport works is probably the biggest in manpower terms of all British Aluminium's plants in the UK. Given that the future lies in the introduction of increasingly more sophisticated capital equipment - state-of-the-art stuff, Mr Thomas calls it - the plant's numbers will probably not increase significantly.

"The point is that we are doing by road into the works, a dozen miles from the railhead, and who are here. I would like to emerge as hot or cold-rolled before going on for processing."

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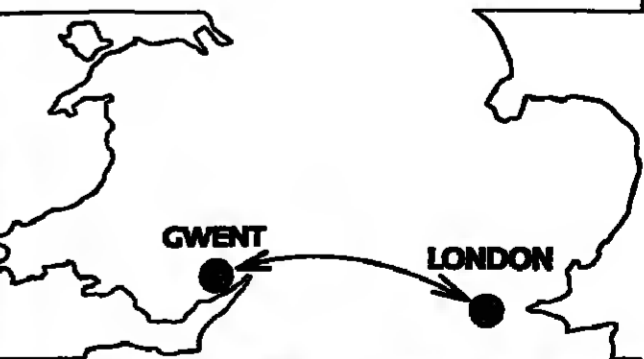
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NEWPORT 4

After losing a great deal of its traditional trade

Port begins to pick itself off the floor

ONCE A week, a container vessel belonging to the Concord line moors alongside Newport's South Dock with its cargo from Bilbao in northern Spain.

In itself, the arrival of the vessel through the lock gates may seem to be no more than a symbol of the normal interchange of goods between two members of the European Community. But for Newport it signifies something much more important: it indicates the way the port has picked itself up off the floor and is fighting not just for increased trade but perhaps even for its very existence.

Newport took a pounding from the miners' year-long strike in 1984-85. The port was heavily dependent on the export of coal. It has always been primarily a bulk-handling port and half a century or more ago it was one of the leading coal-exporting ports in the world.

That trade has all but gone now. It had declined badly by the start of the 1950s, when it was probably handling around 250,000 tonnes a year. The miners' strike finished what had been left by the recession of 1979-82 and the port handled no more than 800 tonnes last year. Virtually no coal flows out from Newport, though there have been some trial inward shipments.

Even such steel trade as there was disappeared after the strike as BSC developed its own berth up the river Usk.

Despite these losses, and the difficulty of securing alternative users for a port which faces intense competition from Cardiff, Barry, Port Talbot and Swansea in South Wales, and Royal Portbury across the Severn in Bristol, Newport's docks management is not disheartened.

"If you sit back and take a defeatist attitude," says Mr Peter Stewart, the commercial manager, "then you deserve to be

defeated. I believe you can turn things to your advantage.

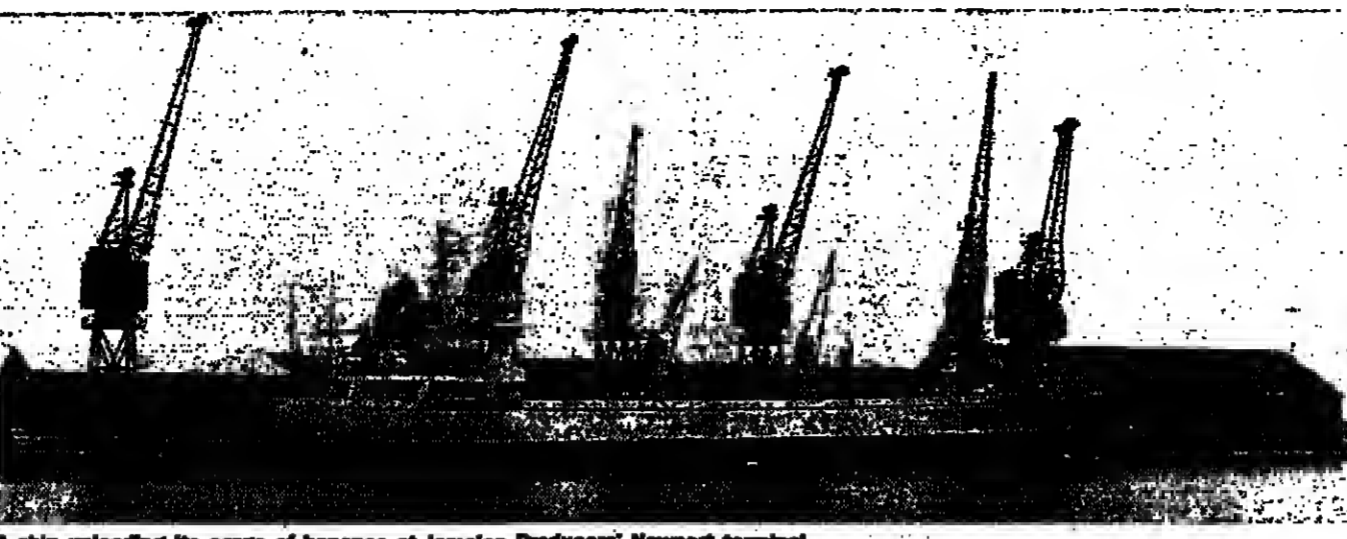
"I had 12 years in Plymouth before coming here and although that was a dock labour scheme port, with its problems, I managed to take trade from non-scheme ports. There is always a way round a problem and we are finding ways around them here."

Mr Stewart arrived in Newport just over two years ago, before the Concord deal was secured. He has had a lifetime in ports around the country with Associated British Ports, which now operates Newport, and its predecessors in the nationalised industry, out of which ABP was privatised.

Some of Newport's problems were self-inflicted. Its post-1945 life was based on shipping coal out, shipping iron ore for the Llanwern works in. Then British Steel was instrumental in having a specialised ore terminal built in the late 1960s at Port Talbot, next to the steelworks, and it was decided to ship all Llanwern's ore by rail from the western port. At a stroke, Newport's bulk inward trade vanished.

The docks, which cover as big an area as any in South Wales, now present a sorry sight. The nearby giant transporter bridge, one of only two in Britain, is closed. Without vessels the docks seem strangely desolate, even on a bright day.

The fightback is, however, showing encouraging results. In the early 1970s, Newport won the contract to handle Colt cars (a



A ship unloading its cargo of bananas at Jamaica Producers' Newport terminal

(Mitsubishi product) from Japan. This is a variable trade, the numbers depending on quota, and is small by comparison with Bristol and Southampton. But it indicates management determination.

More recently, about nine years ago, Jamaica Producers' banana trade was lured to the port and now a vessel arrives every week to discharge its load into the temperature-controlled shed on the quayside.

Since then, Newport has won other fruit and vegetable trade, especially from Israel which looked at the port as a means of supplying the Midlands and so liked the result that it is now

supplying London.

"There is some trade in railway sleepers and telegraph poles from Australia, steel from Latin America, Egypt and Greece and scrap to Europe but the big success has

been winning a considerable share of the trade in imported timber, especially from Canada.

Mr Stewart concedes that the port's position on the western side of Britain puts it at a disadvantage as the emphasis of Britain's trade has switched to Europe. However, looking again on the positive side, he argues that Newport is particularly suitable for those traditional routes to the Americas.

Timber was one of the first products to replace the bulk traffic that Newport had lost and, after Canada, the Malaysians became interested in the docks. This trade is growing and last year reached its highest level.

With ABP increasingly becoming a company interested in exploiting its property portfolio, it is possible that Newport's spare acres could be turned to other uses as the town is developed and becomes a focus for service industry.

Nearby Cardiff is already undertaking a massive regenera-

tion of its docklands with plans for housing, offices, leisure interests, marinas and industry.

Could Newport go the same way, developed with private capital? Mr Stewart will not be drawn on that. It is a matter concerning corporate policy, he says, and corporate spokesmen have to answer the question.

But he agrees there is potential in Newport, potential for lots of things. These docks could be used in a variety of ways, especially now that waterside developments are in vogue.

The biggest gain would come if a Severn Barrage were to be built across the estuary, between Cardiff and Weston. Such a scheme has been mooted and feasibility studies are being carried out for what would be a multi-billion pound undertaking.

A barrage would give Newport constant water and free it from dependence on the tide, which dictates some of the highest rises and falls in the world. Constant water would allow the long shoreline outside the two closed docks to be developed. It could breathe new life into the port at a time when Cardiff is moving in a different direction.

Mr Stewart is nothing if not an optimist.

Industrial and commercial property

A high level of interest



Mr Michael Shukman, WDA's regional manager for Newport outside the agency's successful Cleppa Park development

JUST ON the western outskirts of Newport, at Tredegar Park, the point where the old road to Cardiff meets the motorway, the Welsh Development Agency has one of its five prestige sites in Wales.

Cleppa Park contains AB Electronics' research centre, National Panasonic and Whitech's manufacturing technology centre as well as the temporary home for the TSB Trust Company until its new offices are built across the road at Duffryn.

The point about Cleppa Park is that it was filled almost before the buildings were completed. This gives some indication of the level of investment interest in Newport that has been generated in the past year or two.

Mr Mike Shukman, the Welsh Development Agency's regional manager for Newport, is delighted with the success of this highgrade development. Eight years ago, he says, the agency had just 21 tenants in the town and those were companies which had been in their plants for years, such as Gossard, Andrew Russell and Alfa Laval.

"Now we have over 300 and there is great interest in the town. Not all that 300 is directly comparable to the original 21 because we inherited 150 when we took over the industrial portfolio of the Cwmbran Development Corporation. But if you strip that out, we still have grown from 21 to 150, a very big step forward."

Brunswick, a recent management buyout helped by 3i Investors in Industry, is also active. The Wyndham group, another local concern, was active in buying parts of Cwmbran last year and many companies have bought their own units, which all reflect the feeling that rent levels are rising.

The big national concerns are still noticeable more by their absence in Newport itself. But just outside the town, in Cwmbran, Ladbroke City & County Land has bought the new

Llanwern steelworks.

Mr Richard Hutchings, a partner, says that in addition, Grovespark has taken one industrial site and is to make freehold sites available. The first of the developments on it is about to start.

One of the stumbling blocks in Newport is that geological conditions in parts of the area make building expensive. Construction in the town requires deep-piling. Around Llanwern and the steel-

works, ground conditions are such that building costs £3 a sq ft above normal. This tends to inhibit the private sector but, even so, land prices have been rising.

Industrial land is going for between £40,000 and £80,000 an acre, Mr Shukman says. And there has been 100 per cent growth in the last four to five years, which indicates rental growth of around 20 per cent a year.

This return does not include any give-aways. The only carrot the WDA offers now is a three-month fitting out period. Special rents for first tenants or any other goodies are now a thing of the past.

Even taking all this into consideration, prices are still cheap in Newport by comparison with some of the competition. Ten miles west, in Cardiff, top grade land is nearer £80,000 to £90,000 and will be in six figures before long.

Bristol, half an hour to the east across the Severn Bridge, is even more expensive, probably around £150,000 for prime sites. And in the Thames Valley the sky is almost the limit. Yet London Airport is under two hours' drive from Newport and it is considered that the cost savings on land far outweigh the inconvenience

of being that bit further along the M4.

Following the announcement by Mr Peter Walker, Secretary of State for Wales, that the WDA's funding in 1988-89 is to be increased substantially, the factory programme for the year is to be accelerated. Another 200,000 sq ft will be put up, a figure which includes construction outside the town itself though in its immediate hinterland.

Mr Shukman argues that "you have to look at places like Pontypool, Aberavenny and Cwmbran as part of the whole. They may not be in Newport itself but this is a very close-built area, a tight-knit community. Everything pivots around Newport and as it is so easy to move around the whole area - nowhere is much over 25 minutes' drive away - they add up to a Greater Newport."



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NEWPORT 5

Gwent employer network

Ensuring the right skills

THE GWENT Employer Network is one of about 80 that have been set up in the UK to help make vocational education and training more relevant to the needs of industry and commerce.

Mr Ray Funnell, who has been seconded from accountants Furnell and Moore to run the scheme in the county, says that the network is trying to turn needs into action.

In the past, he says, it has been difficult for an employer to influence the education authorities and make them see that his needs are not necessarily those perceived by an educationalist.

"Take my own profession of accountancy. There is a great need for middle-range people. So we would like to try and get all the accountancy firms together so that we can produce a plan for

the local education authority and the Manpower Services Commission to act on.

"We can point to these courses that are needed to produce the sort of people we need, how existing courses might be changed or altered and so get our message through to the schools."

The need is all the more important in the county, he believes, because, strange as it may seem, the point is approaching when a sort of full employment will be reached. Not necessarily full employment as envisaged by the economists and statisticians, but where employers absorb all the new entrants looking for jobs.

New companies like the TSN and government offices, such as the Patent Office, will absorb large numbers in the next few years at a time when the number

of new entrants to the labour market is falling.

Between 1987 and 1992 the number of 16 and 17-year olds in Gwent will fall by a third. Because larger numbers are going into further education, employers will find the labour force even further cut. Mr Funnell says this will put great pressure on them.

The network also hopes to improve the level of training. There is, he says, a sharp division between what is undertaken in large companies and the smaller ones. Large companies have full-time training officers who ensure systematic training is undertaken.

The smaller company is not always in a position to have a comprehensive scheme. The

Gwent Employer Network has proposed to the MSC that it funds a project for the network to survey all employers in the county and find out the number of each concern's books and whether that company has a full-time training officer.

"Such a survey would identify where training needs were greatest and then we would press for finance to be made available to put full-time officers in half a dozen companies."

Schemes such as this are the essential micro-level answer to macro-level undertakings. Mr Funnell believes the Gwent network can contribute to the creation of a better link between education, industry and, eventually, the end-product which is what really everyone is after.

Transporter Bridge

Fine Victorian monument

NEWPORT'S TRANSPORTER BRIDGE, the town's dominating landmark, is almost unique. There is just one other of its sort in Britain, at Middleborough.

Unfortunately, it has been closed for over two years for safety reasons. It needs over £2m spent on it to restore it to working order and the local council is not sure whether it can commit such a large sum of money to an Edwardian curiosity.

Why this sort of structure was put up, at this distance of time, unclear though it is possible that the swift-flowing Usk that it spans or the soft foundations might have been contributory factors. Why no such other estuarine crossings were erected is even less clear. It cannot have

been cost, for the bill when the bridge, which is really a suspended ferry, was opened in 1906, came to just £38,000.

The need for a crossing at this point had been long recognised. The Usk was, at the turn of the century, crossed by just one road bridge (the railway company had another alongside it) that was originally built in 1800, widened in 1856 and partly rebuilt in 1892-93.

The rise of industrialism, the developing trade in the port and the growing commerce in the town all led to increasing congestion on the roads. In the late 19th century various schemes were put forward to alleviate the traffic problem.

A ferry was mooted, as was a



The transporter bridge, Newport's dominating landmark

subway for pedestrians; both came to nothing. Eventually, in 1906, it was decided to build a transporter bridge since this would allow reasonable movement of carriages and at the same time offer little hindrance to riverborne traffic.

The site chosen was that where it was proposed, as early as 1880,

that there should be a subway. Although the bridge was started and finished in Edwardian times it took almost four years to build - it is probably best thought of as a fine monument to those great Victorian bridge-builders who were at the centre of world engineering at the height of the Empire.

Profile: Plessey Naval Systems

Shopfloor pull

EARLY THIS summer, the main plant of Plessey Naval Systems in Newport is to introduce a new form of organisation which, Mr Mike Davison says, will revolutionise the works and could work wonders for the giant electronics group.

These are big claims but what Mr Davison, manufacturing director of PNS, is about to do is to launch the Japanese method of working called Kanban, better known in the UK as Just in Time (JIT).

Just in Time stands conventional work practices on its head. It is a pull system of production instead of a push system, he says,

involving a culture shock for both worker and supervisor on the factory floor. This is because operators will "work" only when there is something for them to do. They will not work just to be piling up an end product.

The company's Newport site carries about 200m of materials at any one time, Mr Davison

says, and the cost of funding them is about £2.5m a year. "That is an enormous cost. I want to manage production in such a way that material and space costs are reduced significantly. With JIT, I believe I can save at least half the funding cost."

Under the JIT system, materials come in to the plant at the last possible moment and each worker only works when he or she has a specific order to fulfil. No new item is put into the schedule until the previous one has been completed. In this way, input stock is reduced to a minimum and stores are a thing of the past.

communications side of the business, for instance, it could work wonders for the company's revenue account.

The system will take about a year to bed in at Newport, Mr Davison believes, but he has one important card in his hand: The man who will be responsible at plant level for its introduction, Mr Jim Jones, has experienced the system first hand in Japan while working for Mitsubishi.

"When I went out to Mitsubishi, I was in awe of what happened there, he says. I even wondered if I would survive. But I quickly learnt that what was happening was quite logical and it changed my whole style."

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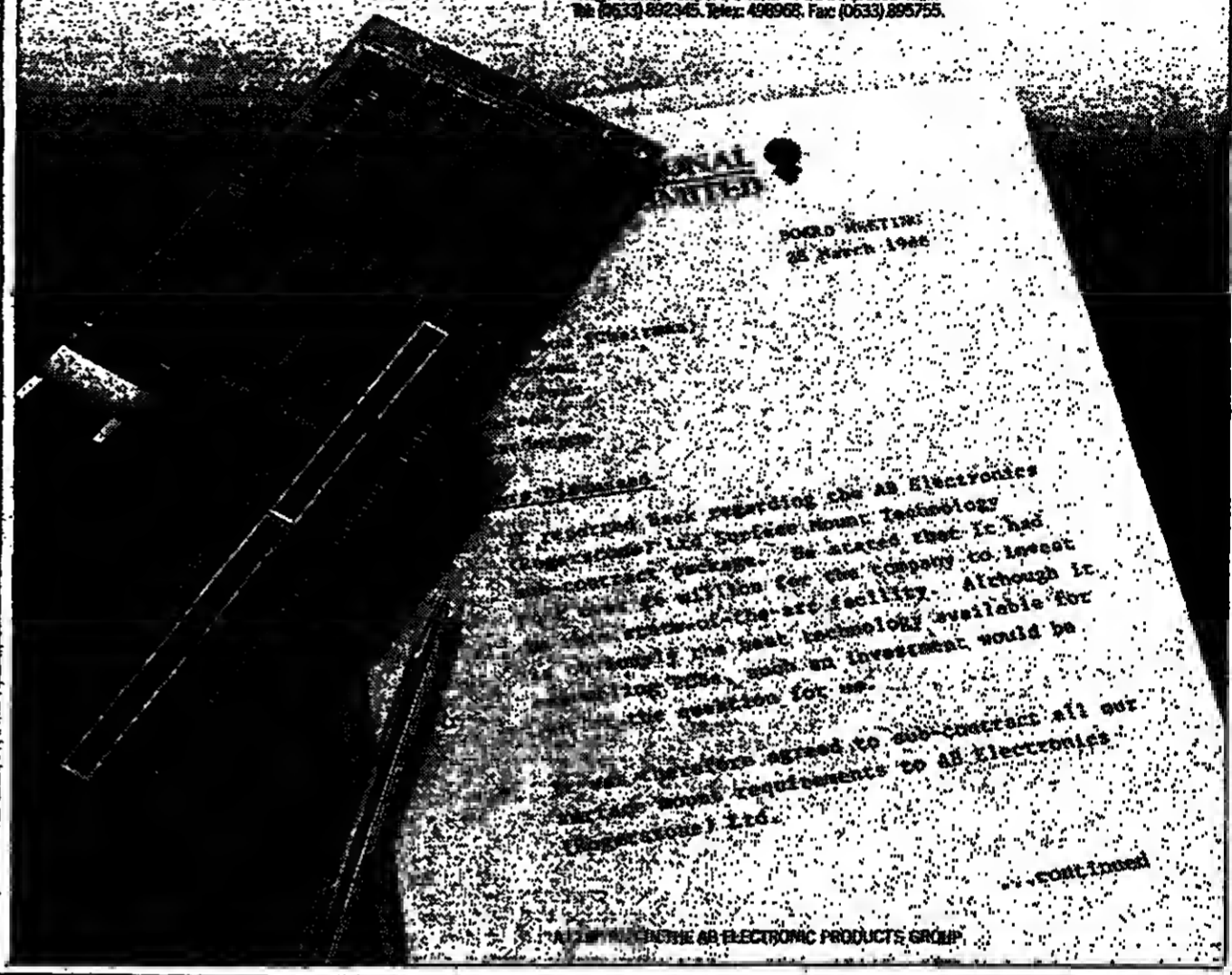
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MANAGEMENT

Multinational strategy
Electrolux goes for global lifestyles

Christopher Parkes explains how the Swedish appliances group is dismantling national barriers

SHERR BULK helps, but Electrolux has many attributes which help set it apart as the very model of a modern multinational.

Established since 1966 as the world's largest manufacturer of domestic appliances, the Swedish group is now less absorbed with gobbling up smaller fry and has turned all its energies to converting its fat portfolio of companies into one of the most efficient, coherent and resilient forces in the world consumer goods business.

The process is complex, involving some 140,000 employees in 450 subsidiaries in 40 countries in a programme of root-and-branch restructuring of production, diversification and continued acquisition, and - holdout of all - the development of global products and global marketing strategy.

While many multinationals hesitate and jib at the cultural barriers which hamper the development of such products, Electrolux believes they are already greatly eroded and their collapse is only a matter of time.

"We are moving into a global situation where international boundaries play only a small role," says Leif Johansson, group vice president and head of the major appliances division.

"There are already groups of consumers in New York, Stockholm and Milan who show more similarities than consumers in Manhattan and the Bronx in New York itself."

The microwave oven has proved itself a truly global product, thanks to the efforts of the Japanese. It is easy to forget that the vacuum cleaner, the Swedish company's first appliance, has long enjoyed similar status.

New Electrolux series washing machines and freezers, two of its front-line products, showing similar potential in markets which are increasingly powered more by international lifestyle developments than local income, age and demographic patterns.

If it were not for peculiar local fashioning in the packaging of milk, Johansson says, the ability to use standardised door mouldings would promote the refrigerator into the global league.

"Internationalisation is also being driven by rapid transfers of technology. Changes used to take years. Now we are talking months," adds Anders Scharp, group president and chief executive.

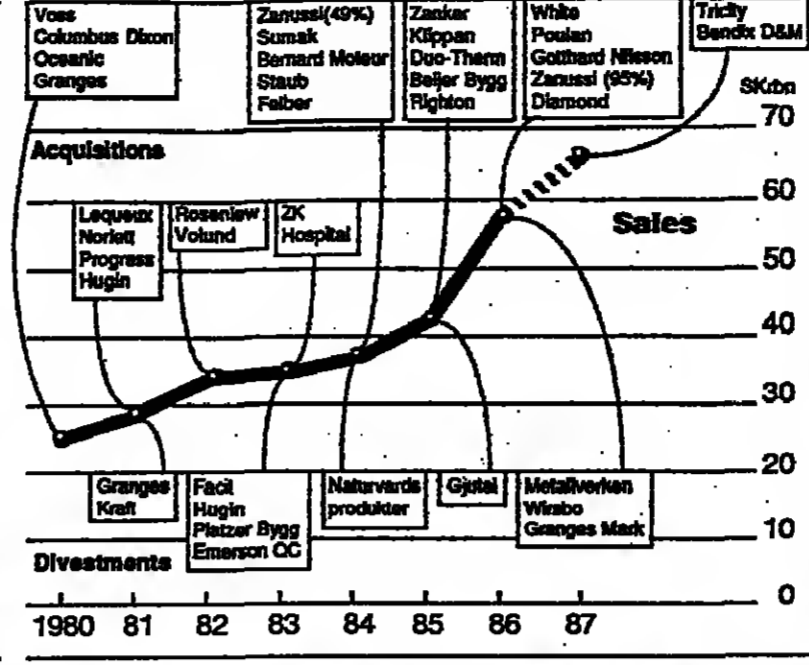
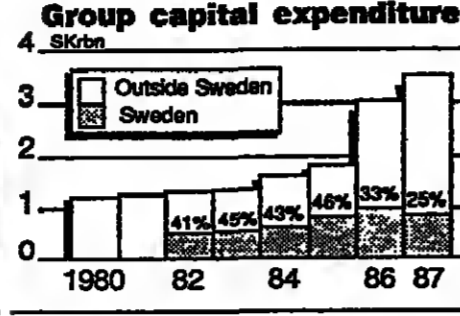
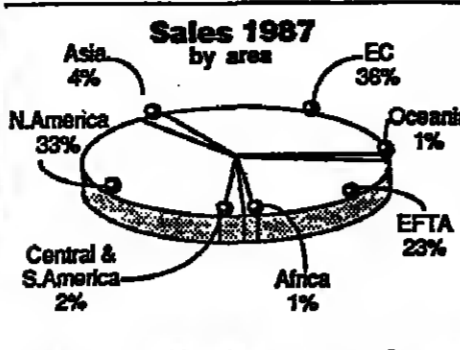
Accordingly, Electrolux is superimposing on the group an international marketing programme founded on its portfolio of 42 appliance brands. These will be split into three segments: local, limited usually to one national market, like Tricity in the UK; regional, such as Arthur Martin in France, Benelux, and international.

The driving wedge of the global marketing strategy is to be developed around its biggest names: Electrolux, Zanussi, and Tricity.

In a parallel scheme, the Swedes plan a further subdivision of their product groups into five "lifestyle" segments, each of which will develop



Anders Scharp



its own international styling and marketing brief to suit all tastes in Toledo, Turin, and Tokyo.

In common with Unilever and other leading multinationals, Electrolux has marked out its global territory in the so-called "triad" format, encompassing the US, Europe and Japan with a total consumer population of 700m.

Every new product will be aimed at all three markets and the lifestyles within them. Scharp admits the company faces a struggle in Japan, where sales last year came to a measly \$150m.

Almost every cent was collected from door-to-door sales of vacuum cleaners. Doorstepping is a costly, painful route into any market, but it appears to be the only feasible way for Electrolux to build a customer base.

"You can forget about acquisitions," Scharp says. But the main obstacle is the exclusive distribution system in Japan in which five indigenous appliance makers control more than 85 per cent of all outlets.

Still, the company claims to have carved out a 7 per cent share in value terms of the Japanese floorcare market, and it is believed that with all other entries barred it will shortly attempt to outflank its competitors by opening a chain of Home Centre shops selling exclusively Electrolux products.

Development of a global appliance marketing strategy is perhaps the most challenging, and in the longer

term, most important task Electrolux has set itself.

To date the company has been better regarded for its engineering and management skills than for creative marketing. It started the UK recently with the advertising line "Nothing sucks like an Electrolux." But it has always had a clear view of its destination, and has aimed for it with a boldness, surefootedness and speed which have won it many admirers.

These virtues are displayed to best advantage in the way in which the management has in only about five years knitted together former allies and enemies in the industry into a coherent and cohesive global entity.

Working to a precise formula for making the most of economies of scale, Electrolux now manufactures all its front-loading washing machines for Europe at Pordenone in Italy. All top-loaders are built at Revin in France, all microwave ovens in Britain. Top-price refrigerators come from Sweden, price refrigerators from Sweden.

National sales companies around the world draw supplies from these central production units, which have been transformed from long-run factories often devoted to domestic markets into flexible, multi-model facilities supplying several countries.

The Arthur Martin works at Revin, for example, makes more than 40 models of washing machine to fit solidly into nine different brands in 13 countries.

The group has been restructured to ensure that no subsidiary works in

isolation in a national niche. Even the US arm, based on White Consolidated Industries, ships some of its microwave oven production to Britain for onward sale into Europe.

"I feel very strongly that all development and manufacturing of major appliances has to be located nationally," states Johansson. "Very strong national management is not enough. They have to be aware that they have a group, an international responsibility."

Similar strategies are also being applied in the group's little-noticed diversification plan. Having seen the potential and having started to reap the benefits of leading the restructuring of the fragmented European kitchen appliances industry, it is turning its attention to other businesses which can be developed along a similar path.

Commercial and catering appliances, complementary to the white goods business, accounted for only 3 per cent of group sales last year, but Electrolux is already the biggest player in the European market and aims to grow further by picking off selected companies.

Its aims for its outdoor products division, where its Husqvarna business leads the world market in chainsaws, were demonstrated by the 1986 purchase of garden equipment maker Husqvarna from Emerson Electric in the US, and last year's purchase of Ransomes Sims and Jefferies farm implements in Britain.

In both sectors, as Electrolux found in domestic appliances, there are many neglected specialist businesses to be found on the fringes of industrial conglomerates which are trying to refine operations.

"The merging of these processes of globalisation, diversification, and restructuring in appliances combined with continued acquisition to fill gaps in the group's geographical or product range, has imposed new management requirements on the tiny Stockholm headquarters."

The triumvirate of Hans Werthén, Anders Scharp and Gösta Byström which directed Electrolux through its major acquisition phase was effectively disbanded at Christmas.

Scharp was placed firmly at the top of the pile and a new tier of divisional executives was inserted below him to oversee centrally the development of the main businesses and strategy. "We needed to structure the management better," says Scharp. "So we now have a trend towards allocating more responsibility to our other companies in other countries."

To lubricate revolution without allowing the corporation to slip out of control, Electrolux is working hard at introducing a corporate culture and language.

Having achieved interdependence by ensuring that every manufacturing company has a group role, the whole is now being knitted firmly together with the help of a series of common business targets, set in Stockholm, and expressed in the company's own

Management abstracts

Forecasting corporate failure. R. Norgard in The Chartered Accountant in Australia (Australia), Aug 87 (27 pages)

Essentially a checklist for advisors to small businesses of the warning signs of impending doom: believes that most business failures stem from poor management, such as a dominating executive or weak finance function. Some of the signs are overtrading, problem borrowing, margin erosion and lack of cash flow forecasting.

Image wars dividing the trade unions. C. Edwards in Campaign (UK), 9 Oct 87 (2 pages)

Points to the fact that the unions need revamped images and fast, though there is a view that 'no amount of gimmicks or advertisements will pull in members' (Arthur Scargill). Looks at what some are doing to improve their image, but notes an overall reluctance to part with money and a suspicion of advertising per se.

Using space: premises audits. B. Williams & J. Worthington in The Architects' Journal (UK), 18 Nov 87 (16 pages)

Sets out guidelines for conducting office space audits, including the evaluation of furniture and equipment and reviewing the demands of information technology.

The influence of furniture height on backpain. A. C. Micallef in Behaviour & Information Technology (UK), Jul/Sep 87 (6 pages)

Medical terminology: avoids. Using results of a study in a Copenhagen bank as back-up, says that people prefer to sit higher, when working, than the CEV (European Standardisation Organisation) recommendation of 65cms, for which there is, apparently, no scientific background.

Avoiding breakdowns in a working team. D. Page in Business Executive (UK), Nov/Dec 87 (2 pages)

Like a motor vehicle which in the end breaks down if driven too hard, the individual within a team is equally in need of careful treatment and maintenance, and if the needs are not met, then there is a breakdown. How is this to be avoided? By everyone having a fair opportunity to contribute, for instance, and supporting/encouraging.

These abstracts are condensed from the abstracting journals published by Amber Management Publications. Licensed copies of the original articles may be obtained at a cost of 14 pence (including VAT and p.p.c.) each with order form Amber, PO Box 25, Wembley HA9 8DU.

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R.C. Luxembourg B 8.528
Notice of Meeting
Messrs Shareholders are hereby convened to attend the Annual General Meeting which will be held on April 13th, 1988 at 4.00 p.m. at the offices of Kredietbank S.A., Luxembourg, 43, boulevard Royal, Luxembourg, with the following agenda:

CFI
CONVERT FUND INTERNATIONAL S.A.
Société Anonyme d'Investissement
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg N° B 8129
Notice is hereby given to holders of class "A" shares of Convert Fund International S.A., that on or after March 30, 1988, payment of a dividend of US \$ 0.50 (50 cents) per share will be made against surrender of coupon N° 19 with one of the following paying agents:

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NOTICE TO BEARERS OF SHARE WARRANTS OF COMPANY OF THE NEAR EAST PLC

Notice is hereby given to the bearers of Share Warrants that on 28th March 1988, pursuant to Article 48 of the Memorandum and Articles of Association of the Company, the Directors of the Company resolved to vary the Conditions of payment of such shares as they are issued with effect from 28th April, 1988, as follows:

PROVIDENT MUTUAL LIFE ASSURANCE ASSOCIATION
Notice is hereby given that the 147th Annual General Meeting of the Association will be held at the Grosvenor Rooms, 20 Grosvenor Street, London EC2C on Wednesday 20 April 1988 at 12.30pm, to include the following:

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Architecture/Colin Amery

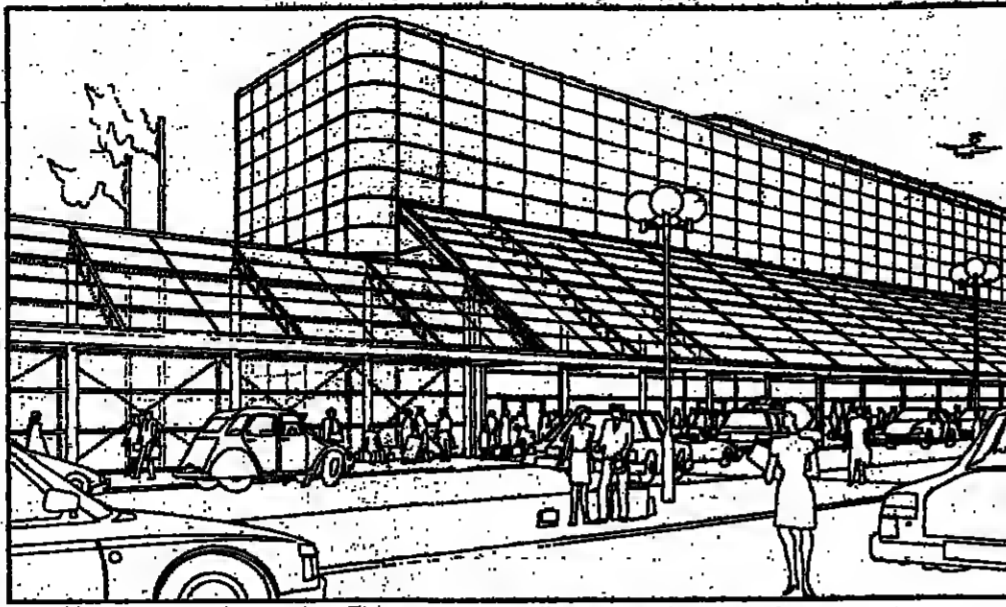
Frills flaw Gatwick's good points

THE ARCHITECTURE of arrival and departure has always had an importance beyond the merely functional. You only have to think of the splendours of nineteenth century railway stations in Britain or the glories of Grand Central in New York and the elegance of Italy's pre-war terminals to see that design has a major role in the shaping of our first impressions of any country.

No-one who saw it will ever forget the Propylaea by Philip Hardwick that satiated you and London at Euston until 1962. The Gare du Nord in Paris by Eiffel is one of the grandest and most complicated examples of the Beaux Arts of the 1860s, and any impression of Finland is inextricably bound up with memories of Eliel Saarinen's national romantic style station with its Nordic gables. The younger Saarinen's TWA terminal at New York's Kennedy Airport is also memorable in its way, suggesting as it does, a giant concrete bird resting after a long trans-Atlantic flight.

In Britain the atmosphere at most ports and airports is unremarkable. The British Airports Authority (BAA) has, however, always tried to maintain a level of architecture and design that is unostentatious but efficient. The recent opening by the Queen of both the Victoria Station end and the new North Terminal at Gatwick has brought into focus the first impressions likely to be made on visitors arriving at what is now the third busiest airport in the world.

Starting out at Victoria there is no doubt that once taxi drivers have found their way to the new entrance this will be a very efficient way to check-in and leave for the airport. But what of the kind of world that greets you? There is a very strong impression that you are departing, not from a major rail terminus, but from a new shopping centre. You are in the "Tia Rack" world of terrazzo and chrome, with canned music and mirrors. In Victoria Place, with its food court serving at least a dozen different restaurants - but all from the same kitchen - there is a strong sense of a retailer's limbo, a world that is air conditioned and full of plastic flowers.



Car access at the new Gatwick terminal

There is inevitably a new world of arrival and departure. The recent opening by the Queen of both the Victoria Station end and the new North Terminal at Gatwick has brought into focus the first impressions likely to be made on visitors arriving at what is now the third busiest airport in the world.

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The great gift that Gatwick had and has now exploited fully is the link between road and rail transport and the airport. When the first phases of the airport was new, the Pevsner Buildings of

England of the day described it as "one of the few cases in post-war Britain of expressive function in planning that can be seen to be good as well as being good. Much water has flowed under the

There is a pleasing sense of space and clarity about the simply-clad buildings in blue and silver'

There is a pleasing sense of space and a clarity about the simply-clad buildings in blue and silver'

There is an agreeable entrance buffer as you arrive from your car, with a palm-filled glass atrium. The progress to the planes is straightforward, being uninterrupted horizontally, with simple vertical connections between floors. Departures on the second floor and arrivals on the ground floor surround the commercial areas which are the

There is a pleasing sense of space and a clarity about the simply-clad buildings in blue and silver'

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Design. First there is the true sense of the airport - a large and jangly design loosely based on a Le Corbusier abstraction. There is a sense of this and its effect is so powerful that it almost spoils the calm of the architects' overall design. Then there are the now inevitable shopping areas. At Gatwick's new terminal they are known as "the Avenue". They are best passed through quickly. They are not as bad as the tawdry "Gatwick village" in the older terminal, but that is not saying very much.

In the North Terminal the designers from Courran have descended to levels that are distressing to observe. Everything they touch is themed - I believe is the word. You cannot have a drink without apparently sitting in a bar, a new terminal they are known as "the Avenue". They are best passed through quickly. They are not as bad as the tawdry "Gatwick village" in the older terminal, but that is not saying very much.

It is sad that bad designers who think in simple graphic terms have been let loose on the idea of a terminal. This is not quite as horrible as BAA's own venture into retailing, which is a shop called "Teddy's" where you can buy woolly bears wearing vests labelled "Gary Gatwick" and even "Percy Prestwick".

Let us hope that Norman Foster's Stansted Airport will not be compromised by trivial designers and that Nicholas Grimshaw will keep a firm grip on the reins of the new terminal, which he has just been commissioned to do at Waterloo.



Stephanie Sandrine as Salome at the Swansea Grand Theatre

Salome/Grand, Swansea

Max Loppert

In the new Welsh National Opera production of Strauss's opera, conventional voluptuary and blood-curdling stage devices have been banished, and theatrical imagination has been replaced by the French theatre producer André Engel and his designers Nick Rieti (sets) and Elizabeth Neumuller (costumes) have concentrated and focused the drama with quite remarkable fastidiousness and subtlety. Those who go to Swansea for kicks and sexy spectacles will not come away from the WNO performance less than fully satisfied, while those (like myself) who blow hot and cold over it will surely find interest and admiration in it renewed.

The visual style of the production is directly out of Gustav Meisner: a dark, cool basic set, richly embroidered in Levantine decorative detail, against which the beautifully coloured costumes (the title part in white and Herodias in royal blue leaving a particularly striking impression) and expertly placed shafts of light mark the ebb and flow of dramatic intensity - in more than one sense this is a "chamber Salome". In like fashion the background to the dramatic style is particularly influenced by the world of Flaubert (whose mid-19th-century Cairo diary is excerpted in the ever-interesting WNO programme) as well as Wilde.

Engel has stripped away the superfluous accretions on which most stagings of this opera depend; not only is the dance played for a beautiful, chilling, and at times almost unbearable intensity (on Friday one almost begins to wonder whether something had gone wrong), and Salome strips off no veils during its course. This is one of several points in the show where the producer might very nearly be accused of an excess of good taste relative to the taste of the music itself but in this opera the fault, if such it be, is indeed a refreshing one.

In sum, I would declare this yet another WNO triumph. The title role certainly shows off to advantage the skills of the company's casting department. The American Stephanie Sandrine (British debut), tall, thin, rangily built, with a face at once prettily clear-featured and powerfully expressive, carries the special burden of this stripped-clean production with total conviction. She is particularly good at catching the transitory stages through which wilfulness of innocence becomes shocked fullness of experience, the throat-cutting ending seems in this instance almost inevitable, an entirely natural fulfilment. Miss Sandrine, whom I have previously heard (in her native land) as Boito's Margherita and Wagner's Elsa, has a strong, shining soprano, not smoothly produced and not always free of impurity but capable of riding out the climax. She is also capable of delicacy - the phrase in which Salome first spies the moon is always an indication of a singer's qualities and here it was filled with strange, frisson-evoking wonder.

Around her the WNO has assembled an almost entirely first-rate cast. Robert Tear (Herod) and Della Jones (Herodias) both superb at avoiding caricature, at catching the half-lights of two of opera's most unattractive characters, and in a medium-sized theatre both sing with superb ease and vividness. Philip Joll's Zouave-style Jukanan, a personable young man in whom Salome's interest is quite comprehensible, sounds less unsteady than in recent Wagnerian heroic-burlesque assignments, though his singing shows no very sharp response to the German words. Peter Brodner (a gloriously lyrical Narraboth) and Beverly Mills (Page) seize their small but important chances; one or two of the minor parts are under-

The conductor is Charles Mackerras. This was yet another of those occasions when one sat wondering if there has ever been a more comprehensively skilled opera conductor. The WNO orchestra was running thin on string tone and purity of woodwind intonation by the opera's closing ten minutes, but before that the combination of warmth and brightness in the textures, the sheer audibility of the voices (and their words) had made this an ideal musical partnership for Engel's production. I have never heard more of the "airy-music" side of the opera on which Strauss urged Salome's conductors to concentrate; if a certain saturation is missed, it is not missed very seriously. A production worth seeking out on any of its touring dates - and a challenge of excellence to the Royal Opera's own forthcoming Salome.

London City Ballet/Sadler's Wells

Clement Crisp

LONDON CITY Ballet has, obviously, a clear idea of its audience, of what will fill theatres and what will fill the box-offices. A company relying not on state subsidy but upon cash from the public and from sponsors, must judge these matters to a nicety, and LCB is astute enough to offer a repertoire which will please without seeming to patronise or offer the lowest common denominator of balletic taste.

The triple bill which was seen at Sadler's Wells last Thursday played reasonably safe, but also provided an encouraging view of the dancers' abilities. Chalkovsky inevitably had to feature, and Peter Clegg's version of the Nutcracker opened the evening on predictable terms.

most timorous ballet-goer. What dignified the staging was the appearance of Kim Miller as the Sugar Plum Fairy. With her broad, generous, unselfish and unaffected musicality in phrasing, Miss Miller put the affair into a grander league than we might have expected. Nothing seemed forced, and she did not beat against the confines of the company style, but there was a seriousness and a quiet dignity to her performance that I found very attractive. Her cavalier, Simon Horvill, was also pleasing, with a welcome flash of bravura to his variation.

The centre of the programme was, not surprisingly, given over to Romeo and Juliet, this time in a production by André Prokavsky, which uses Berlioz music for a brisk survey of the tale. There are fine sets by Peter Farmer which suggest a renaissance court without labouring the point, the requisite number of

lights, excellent use made of a small cast to people the stage with revellers and rival households, and certain fine and picturesque poses.

It is all tremendously light-hearted, and smiles do not crack for a moment, save in the slightly serious bit when the music relaxes its vivacity for a blessed moment. It is a work which I am sure will find many admirers; alas, I am not to be counted among them.

Ashkenazy/Barbican Hall

Richard Fairman

Contemporary appraisals of new music can be thoroughly mystifying. In 1988 Beethoven put on a marvellous concert of his latest compositions at the Theater an der Wien; public and critics alike responded by censoring the novel and accomplished Second Symphony, but his oratorio Christ on the Mount of Olives, long since neglected as a piece of only passing interest, was hailed as a great success and repeated three times by public demand.

The solo vocal numbers, in particular, are positively entrancing in their diversity. Though the tenor David Kuehler approached the aria given to Jesus with due earnestness, there is little in the music to impart the kind of simple solemnity upon the proceed-

ings that Bach's Passions manage so easily; and the Scarpia's solo, sung with Leonora-like fervour by Alison Harpur, is straight out of a Singpiel. Top De and florid scales hardly sound in place on the Mount of Olives.

Before the interval we had been given the Fourth Piano Concerto with Ashkenazy as both soloist and conductor: elegant, lyrical, inward playing that was only momentarily compromised by the division of duties. At least it is good to know that there is one London orchestra that can play the Barbican acoustics and come away with the blend and quality of its sound unimpaired.

Arts Guide

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Music

PARIS

Modified Playright, soprano, Geoffrey Parsons, piano; Lieder by Schubert and Strauss; Verdi and Puccini; Les Méduses (Mon). Theatre de l'Assommoir (47 35 37). Orchestre National de France conducted by Claudio Arrau; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35). Ensemble Sinfonia Viva; Vivaldi; Monteverdi; by the Ensemble Orchestral National; Concerto for Clarinet and Piano by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35). Orchestre de Paris conducted by Daniel Barenboim; Johannes Brahms and Felix Mendelssohn; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35). Les Nouveaux Concerts; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35). Les Nouveaux Concerts; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35).

WEST GERMANY

Frankfurt Alte Oper; Young German Philharmonic Orchestra, conducted by Michael Geyer, Reger, Berg and Beethoven; Beethoven; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35). Frankfurt Alte Oper; Young German Philharmonic Orchestra, conducted by Michael Geyer, Reger, Berg and Beethoven; Beethoven; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35).

ITALY

Rome; Auditorium in via della Conciliazione; George Preter conducting Haydn and Brahms (Mon and Tue) 06 41 04. Rome; Teatro dell'Opera; Tullio Pericoli; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35). Rome; Teatro dell'Opera; Tullio Pericoli; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35).

NETHERLANDS

Rotterdam; Concertgebouw; The Netherlands Philharmonic with strings and chorus conducted by Michael Geyer; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35). Rotterdam; Concertgebouw; The Netherlands Philharmonic with strings and chorus conducted by Michael Geyer; Concerto for Piano and Orchestra by Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 33 35).

March 27-31

Simply Red/Wembley Arena

Antony Thornecroft

Simply Red have been cropping up in London in the past year with the regularity of ragwort, obviously hoping to harvest enough cash to keep them in comfort back in Manchester before the craze for their vacuum-packed white soul falters. They managed to fill Wembley three times last week, which says a lot about nothing.

For Simply Red are dead at heart, or rather in soul, and the vast arena stage showed up the mecano-like fragility of their music. There was no sense of fun about the band; no exhilaration or fantasy. They resembled musicians all performing their parts to an acceptable standard but with the emotional drive of a dead mouse.

Of course the black soul acts they admire go over the top in phony sentiment but that suddenly seemed more acceptable than this dry production. In their carefully tailored Bromley yuppie suits, and beneath an array of lights which exposed their identical personalities, they looked nothing more than catwalk models, doing a bored turn in last season's fashions before an apathetic audience.

But Simply Red are not a band; they are a star in the shape of singer Mick Hucknall, who is Aled Jones with street cred. His soaring falsetto was in fine form, and if you closed your eyes and swung to the music, which was the approved means of worship,

WASHINGTON

National Symphony; Kurt Soderberg conducting; Haydn, Schubert (Tue); Christopher Hogwood conducting; Handel, Schoenberg, R. Strauss (Thu); Kennedy Center Concert Hall (664 8776).

FINANCIAL TIMES

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Monday March 28 1988

Fresh echoes of the crash

THE WEAKNESS of the dollar and of the securities markets in both New York and Tokyo in the last week is at first sight illogical. The US current account has been improving rather faster than even optimistic forecasters expected, a strong recovery in American personal saving seems to be fairly firmly established, and the inflation rate remains low. In Japan, there appears no reason to doubt the remarkable switch to growth led by domestic demand. Looking simply at the economic picture, the ministers who will soon be going to Washington for the meeting of the IMF and the inflation rate remains low. In Japan, there appears no reason to doubt the remarkable switch to growth led by domestic demand. Looking simply at the economic picture, the ministers who will soon be going to Washington for the meeting of the IMF and the inflation rate remains low.

Calendar event

The dollar speculation was set off by a purely calendar event on March 31. This is important because rumours have leaked out of a secret agreement at the Reagan-Takeshita summit last autumn. The Japanese Prime Minister is thought to have explained that Japanese financial institutions would be compelled by their own accounting laws to report large losses on their holdings of dollar securities if the dollar-yen rate fell below 126 on a monthly average, before the end of the financial year. If that happened, it would be very difficult to persuade them to increase their holdings, despite the very tempting interest rate differential in favour of the dollar.

Whether this is truth or fable, the dollar was slightly deflated in January when the danger level was nearly breached, and the bear raid was so successful that the rate has been comfortably above it ever since. It is this

The challenge for Mr Kinnock

THE CHALLENGE to the leader of the Labour Party, Mr Neil Kinnock, by representatives of his party's traditional left wing is more than a little local difficulty in British politics. It presents what may be the last opportunity for the non-conservative opposition to regroup itself into a potentially winnable combination in advance of the next general election. The questions of the moment are whether Mr Kinnock perceives this opportunity and, if so, whether he is capable of seizing it.

It would be all too easy for the Labour leader to miss the point or, worse, to misunderstand it, for his challenger, Mr Tony Benn, should be easy to see off. Mr Benn represents all that has caused the decline in electoral support for the Labour Party over the past decade - union-promoting socialism, simplistic unilateralism, and implacable opposition to Britain's membership of the European Community. Mr Kinnock and his colleagues have succeeded in turning the most of the trade union anachronistic positions. They favour a shift in the balance of policy towards the interests of the individual and the consumer. They recognise a role for the market economy. Withdrawal from the EC has been rejected as a serious policy option - and it is widely expected that the same fate awaits the unilateralist element in the party's election platform.

Old ideology

This "revisionism", as the left calls it, has been widely accepted among both Labour Members of Parliament and ordinary voters as a positive development. It is supported by most of the trade union leaders as an essential prerequisite of a future Labour election victory. Mr Benn and his running-mate for the deputy leadership Mr Eric Heffer, stand for the old ideology, if Mr Kinnock and the present deputy leader, Mr Roy Hattersley, defeat them soundly enough the revisionists position will have triumphed and the voters will have seen it to do so. That could only improve Labour's support.

The improvement is unlikely to

Andrew Whitley and Tony Walker report on a new, testing, phase in the Arab-Israeli conflict

THE PALESTINIAN uprising against Israeli rule, now well into its fourth month, is settling down to a slow battle of wills in which economic weapons are playing an increasingly important role.

Palestinians are continuing to die at an average rate of one a day in sporadic outbreaks of violence. But the focus of the conflict is shifting to an economic version of trench warfare, and the Israelis have begun to lay down a barrage of sanctions in an attempt to break the back of the resistance.

The question is: how far is Israel prepared to go in imposing further hardship, and possibly ruin, on the 1.5m people of the West Bank and Gaza Strip? And to what extent are the Israelis willing to risk a separation of two interdependent economies in which there has been the dominant partner?

"The Arabs seek to wrench themselves free of the Israeli system, and even to harm it, while the Israelis want to put down the uprising, protect the local government and preserve the population's dependence on it," wrote Mr Ze'ev Schiff, a veteran observer of Israel's many wars.

Each side, in its attempts to inflict harm on the other, is adopting measures which appear almost self-defeating, but which are ultimately about demonstrating who is in charge. Thus, the clandestine Palestinian leadership instructs shopkeepers to open for restricted hours, only to have the Israelis force the shops to close, and vice-versa.

Pressures on the 120,000 Palestinians who previously worked in Israel to withdraw their labour, is a further example of the underground leadership attempting to force a disengagement of the two communities.

The most notable success of this strategy was the resignation earlier this month of half the local Arab police force and other municipal employees in the Israeli-run Civil Administration. Warnings from Israeli leaders that this would lead to chaos have not been borne out, so far.

But after an early euphoria, as Palestinians demonstrated an unexpected capacity to challenge Israeli control, the *intifada* (shaking up) is entering a testing new phase. The challenge now facing those directing the uprising - inside and outside the occupied territories - is to convert a spontaneous revolt into a movement capable of fusing political and economic demands.

Leading Palestinians have few illusions about the difficulties involved. "Economically, they (the Israelis) hold us by the neck," says Mr Ibrahim Matar, a director of the American Near East Relief Agency, and an expert on the West Bank economy. "They can really choke us to death, and already they are taking such measures."

Earlier this week, the Israeli Defence Minister, Mr Yitzhak Rabin, told a parliamentary committee that the army's new dual approach to handling the unrest, combining mass arrests with a series of administrative and economic measures, was designed "to bring the level of violence in the areas down to a minimum in a matter of weeks."

Among the punitive steps already taken are: ● Severe restrictions on the inflow of money into the territories - both on the amounts carried in and transferred through the banking system - to prevent the Palestine Liberation Organisation from funding the uprising. Beginning last week, six or seven money-changers, who used to cross the Allenby Bridge between the West Bank and Jordan every day with bags stuffed full of cheques and cash, were refused passage. Handling the equivalent of between \$36m (£20m) and \$45m a month in each direction, the couriers were the Palestinians' version of a bank clearing system.

● A two-week ban on the supply of fuel oil and petrol to Arab distributors, affecting heating and transport. ● Cutting off international telephone links in an attempt to sever what is perceived as a link between the organisers of the uprising and the PLO. ● Stringent curbs on internal and foreign travel, through the enforcement of back tax demands, curfews and a halt to movement between the West Bank and Gaza Strip.

● A partial ban on exports to Jordan and Israel of produce from the occupied territories, together with the closing down of some wholesale markets. These measures, however, are relatively mild compared with some available to Israel, such as stopping people and goods crossing the bridges between Israel and Jordan, which would deal a crippling blow to many families and businesses. The Israelis could also turn back the remaining 50,000 to 60,000 workers who, in defiance of community pressures, are still travelling to work in Israel each day.

One nagging worry for the Israelis, if they take these harsher steps, is that the strategy could prove counter-productive. As Mr Ze'ev Schiff says: "Israel's economic sanctions may turn out to be a double-edged sword in



A shift from stones to sanctions

expanding the circle of those harmed and fomenting participation in insurgency activities. The accumulated cost to Israel to date is put by Mr Gad Yacobi, the Economic Planning Minister, at approximately \$320m. Of this, about \$200m represents lost "exports" to what used to be a captive market. Another \$80m has gone on additional expenditure by the security forces.

Textiles, construction and the hotel industry seem worst hit by the loss of sales and the absence of low-paid Arab workers. But, at this stage, few Israelis foresee long-term damage to their economy. "I would expect Israeli companies to rely less on labour from the territories in future," says Mr Dan Propper, managing director of Osem, a leading food company.

Mr Meron Benvenisti, whose detailed studies of the West Bank and Gaza Strip have become standard reference works, dismisses prospects of Palestin-

ian economic independence. "They are paying for their complacency," he observed this week. "They allowed the Israelis to buy them." He forecast that many newly prosperous Palestinians, their business lives disrupted, would be unable to continue making sacrifices on the present scale.

Mr Benvenisti described the economies of the West Bank and Gaza as "mere appendages" of the Israeli economy. He noted, for example, that the total industrial product of the territories was about \$50m, comparable to the annual output of one large Israeli plant. The size of the two regions' economies is equivalent to just 4.5 per cent of Israel's GDP.

Palestinian businessmen tend to agree. "There's no such thing as industry in the West Bank," says one of the few Algerian manufacturers, whose company production is down to 20 per cent of what it was three months ago when the uprising began. "We depend entirely on raw materials coming through Israel." The businessman, who preferred not to be identified for fear of reprisals, says that for him the harshest blow so far has been the severing of telecommunications links with his European suppliers.

With few exceptions, manufacturers are struggling - in spite of calls for residents of the occupied territories to boycott Israeli goods and switch, where possible, to local products. The Jordan Plastics Company in Bethlehem is an example. Mr Isa Abu Eita, its managing director, says his sales are down by 50 per cent and that if circumstances do not improve, he may have to consider closing the factory or cutting working hours. Nevertheless, he believes that businessmen fully support the uprising. "I feel, every day that goes past, people feel more determined."

Despite the many predictions that the uprising could not be sustained, it continues to be carried on by a surge of nationalism which astounds the Palestinians themselves. "It all happened too quickly," comments one business leader. He is refusing to pay his Israeli taxes, as the strikers demand, but is fearful of the consequences. "Those in charge of the uprising are probably surprised themselves by the extent of readiness to do something."

Another says with pride: "The *intifada* created a sense of Palestinian identification. Beforehand, Palestinians would think nothing of carrying an Israeli box of matches or tins. No longer."

Mr Muhsarak Awad, a Palestinian-American whose views were originally ridiculed by his people - but not by the Israelis who tried repeatedly to deport him - has emerged as the advocate of a mass campaign of civil disobedience. He says that support for the uprising, initially 10 to 15 per cent, has risen to between 60 and 70 per cent.

Mr Awad has been urging his fellow Palestinians to raise chickens and grow their own vegetables to withstand an all-out economic siege. "The Israelis could send us back to the dark ages, but I don't think they will manage to put an end to the *intifada* using economic methods."

'We will keep going and maybe we will be more violent'

"We are like birds trapped in a cage," said the old man. "We don't know what the future holds. But we will keep going. It doesn't matter what the end will be, even if they arrest every body."

The speaker was Mahmoud Mohamed Ahmad, Hamas' head man of Silwad, a fiercely nationalist Palestinian village of about 4,000 people, set in stony hills in the West Bank near the big Arab town of Ramallah. In his 82 years as mukhtar, a title dating from the Ottoman period, he has never

seen anything quite like the *intifada* (shaking up) that has swirled through the occupied territories since early December, upsetting many calculations about Palestinian ability to resist.

At first, I never thought it would keep going like this," he said, speaking on the terrace of his house which has views of a big Jewish settlement surrounded by barbed-wire entanglements. "God knows how long it will last. But I feel it will go on."

Silwad is perhaps as good a

place as any to listen to the voices of the rebellion. It has a long history of opposition to Israeli rule. Most people have had a family member arrested at one time or another. Residents also say houses have been demolished. Two young men have been killed since early December. One was shot in the month. The other died after a beating. In Silwad, the smell of hatred lingers like a whiff of cordite in the air.

"Welcome" says a blue sign at the entrance to Silwad, but inside the township the scene is hardly welcoming. Scattered ranks of rock roadblocks greet the visitor. Suspicious faces peer at aliens.

Twenty-five young men from Silwad have been detained, and townspeople say another 50 are wanted. Youths sleep in the fields at night to avoid capture. One fear is that armed Jewish settlers from the nearby Ofra settlement will attack the village in retaliation for stones thrown at their cars. It has happened before.

Silwad, whose population in the early 1960s was 25,000 - before thousands left to work in the Gulf - is preparing for a siege. Food is being stockpiled. Residents appear resigned to economic hardship. Most of the 200 men who used to travel to Israel each day to work in construction have stopped making the journey.

Khaled Abdel Razak, who runs a laundry and dry-cleaning business in nearby Ramallah, said business was "really slow". He was borrowing money to support his family of 10 children who were living on bread and lentils and other basic items. "I have not eaten meat for two months," he said.

Residents of Silwad say that there is no going back. "We are with the *intifada* with all our lives," said one young man who declined to give his name because he had spent some years in jail. "We will keep going and maybe we will be more violent. If I can't get milk for my children maybe I will be driven to more extreme measures." (A few hours after this was written, Silwad was placed under curfew and a number of villagers arrested.)

Board pass ball to South Africa

Rugby means more to white South Africans than to most people and last week's decision by the International Rugby Board to give the green light to a resumption of international tours has been cheered by the nation's "rugger-buggers".

Politically the decision, plus the election of South African rugby veteran Jan Pickard to world rugby's "poliburo", the five-man IRB policy-making committee, is a setback to the anti-apartheid sports way home. They are expected to react by renewing pressure on countries which will compete in the forthcoming Seoul Olympics and the Commonwealth Games in Cardiff to ensure that their national teams do not take advantage of South Africa's re-entry into the international rugby arena.

The IRB's decision was particularly welcomed by the South African Rugby Board (SARB) which is celebrating its centenary next year. It hoped to mark the event by a British Lions tour. Before the IRB's lifting of the ban this looked doubly impossible as the Lions are planning an Australian tour. Removal of the ban, however, has revived hopes that the Lions might now stop over in South Africa on their way home from Australia for a one-off test against the Springboks, although they could not call themselves the Lions if they did.

Realists in the South African rugby world recognise the basic factor facing tour decisions by fully-fledged national teams. They recognise that the best chance of attracting foreign players is to offer invitations to individuals willing to play in a specially constituted international fifteen. Fritz Elff, SARB's vice president, says he plans to send invitations out to the world's best players, including black players, to compete against South Africa's own racially mixed teams.

The last IRB-approved tour was that of the England team in 1964 but all discussion of future tours was suspended last November as

OBSERVER

punishment for the SARB's hosting of two "rebel" tours, the New Zealand Cavaliers in 1966 and the South Pacific Barbarians last year. It remains to be seen, however, whether the IRB's decision will be enough to bring the world rugby map or whether some other political development inside South Africa, like the recent ban on extra-parliamentary opposition groups and the water canonning of protesting churchmen, will tip the scales. It will still be a long "keep politics out of sport."

The timing of the decision appears to have thrown a spanner in the works in the run up to Seoul when far fewer countries than has become normal have pulled out due mainly to the Soviet Union's refusal to follow the North Korean lead.

Dennis Easty, the Rugby Football Union representative on the IRB, said yesterday Seoul had not figured largely in the discussions. Registering there would be opposition to the move, he said. "It would crop up any year when any rugby player is going to South Africa."

The feeling of the meeting, according to Easty, was one of sympathy with the South African rugby authorities and he denied that the board had been pressured into the decision by the threat of more rebel tours. The mood of the board was to end the break in relations imposed last year. "The feeling was South Africa had served their sentence," he said.

The South Africans are waiting no time. Letters have already been drafted to the individual unions asking their blessing for approaches to be made to players.

Names were not discussed but the possibility of black players in the World XV raised the question of whether any invitation would

be sent to Chris Oti, the winger who ran in three of England's tries against Ireland last week when more tries were scored in one half than in the previous four years of the championship, so ending a self-imposed boycott on running the ball over the line.

"Norman's been made an offer he can't refuse to play above his penny in South Africa."

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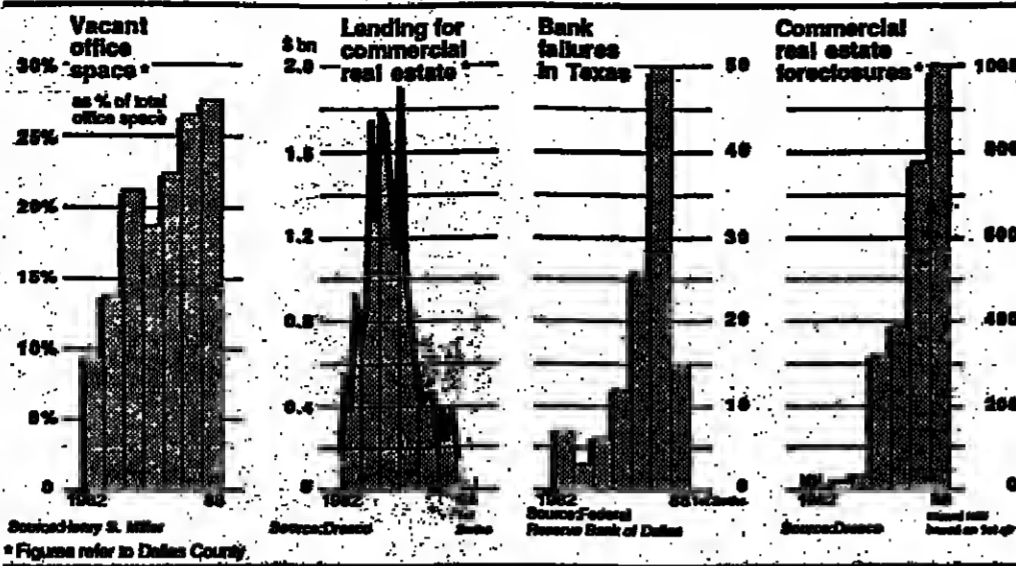
NOBODY KNOWS how much the recent federal bail-out of Dallas's First Republic Bank, the largest bank holding company in the southwestern US, will end up costing - because nobody knows just how much its huge portfolio of Texas real estate loans are worth. It could, say local experts, end up costing as much as 1984's record \$4.5bn rescue of Continental Illinois - a bank roughly the same size. Yet regulators such as Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, have tried to play down the parallels. The Dallas bank is the victim of economic factors and not the sort of management errors which scuttled the Chicago bank, he says.

This view is widely shared in Texas. Most of the state's bankers say they are victims of unforeseen economic circumstances. Who, they argue, could have forecast a collapse of agriculture in the late 1970s, of energy in the early 1980s and real estate now, let alone the taming of inflation? The international agricultural and energy sectors have indeed been beyond the bankers' control. But the real estate collapse was self-inflicted: strong demand for office space was swamped by over-supply. Developers kept building as long as financial institutions were willing to lend.

They bet their banks on what they believed was an endless property boom. Now, with the boom long gone, they must pay the price: loss of independence. Five big bank holding companies account for nearly 70 per cent of Texas's \$20bn in banking assets. Of these, two are involved in government-sponsored recapitalisations; two have been taken over by stronger banks from out of state. Only one of the top five, FICorp, is given a fighting chance of surviving without out-of-state help in the form of new investment, takeover or government money. And the savings and loans associations (the "thrifts") are in even worse shape. Cleaning up both industries may well require tens of billions of government money.

The booming Texas economy of the early 1980s created a seemingly insatiable demand for office space. As the oil industry turned down, bankers seized on real estate as a helpful diversification. In Dallas alone, one of the four counties, the Dallas-Fort Worth "Metropolis", real estate lending by banks and other financial institutions soared from \$38m in the month of January 1982 to a peak of \$181m in January 1984 before slipping back to \$41m in March. This in itself is not surprising. The Dallas-Fort Worth "Metropolis", real estate lending by banks and other financial institutions soared from \$38m in the month of January 1982 to a peak of \$181m in January 1984 before slipping back to \$41m in March. This in itself is not surprising.

Roderick Oram examines Texan banking after the rescue of First Republic Bank in Dallas



Betting the bank in the Lone Star state

writing on the freshly poured walls almost five years ago. "We began curtailing new commitments in Texas by late 1983," says a senior executive of FICorp. Yet the last and most suspicious skyscrapers to be completed in Dallas were built for banks. FICorp, which broke ground in 1985 - 18 months after curtailing lending - moved into its marble-clad halls last summer.

Today, 28 per cent of all office space in Dallas county is unoccupied, according to Henry S. Miller, Texas's largest realtor. Dallas has 57m sq ft of empty offices, as much as the city's total office space 10 years ago. Other Texas cities such as Houston and Austin are worse off. So wild was the speculation that at least one-fifth of Dallas's banks were "junk", says Mr Ed Fries, Miller's director of research. They are so badly located, built or maintained they will have to be bulldozed, he says, many without ever being occupied.

Several former executives have been found guilty of fraud. Last week, a former official pleaded guilty to conspiring to falsify records, making illegal campaign contributions and providing sexual favours. A federal government task force of 60 FBI, tax, and justice department officials moved into Dallas last August. So far they have subpoenaed 400 people who developed or financed real estate. "They will be herding them through the courts like cattle," says a local realtor.

Texas's 400 thrifts have assets of about \$180bn, of which some 10 per cent are non-performing. At least 104 of them are insolvent and require bail-outs, says the Federal Home Loan Bank Board. Recently the board said it would commit up to \$7bn over the next two years for rescues in its five-state southwest region. The rescue comes now too soon. A large number of seriously troubled thrifts kept paying well over the odds for badly needed deposits. Banks had to compete for funds, paying a "Texas premium" which rose from 200 to 300 basis points above rates for banks in other states. The premium is swallowing up slender banking profits.

As the rate of foreclosures and thrift failures rose last year, even the strongest banks started to wobble. A credit ranking firm called IDC Financial Publishing uses data that banks supply to regulators to rate some 14,000 US banks on a scale of 1 (the worst) to 300 (the best). Of the 765 banks with a rating of 1 to 49 last September, half were in Texas. Bankers and regulators say the worst of the losses are behind them and that the real-estate market has bottomed out. Commercial rents did indeed stabilise last summer in Dallas, but selling prices have plummeted from a peak of around \$150 a square foot in 1984 to \$75 or even as little as \$50 today, below the cost of new construction. Worse, no one knows how real these figures are, because many banks and thrifts have held back from unloading foreclosed property on the market in an effort to hang on for an upturn.

So far the strategy has worked for some. The five big bank holding companies, for example, still meet minimum regulatory capital requirements, at least until more realistic property write-offs are taken. They will be more provisions, and more write-offs, to come. With the supply of space ample well into the 1990s, foreclosures state-wide are rising this year towards \$20bn - \$15bn at thrifts alone - from \$12bn last year, back to lenders. They will be forced to sell more, putting heavy pressure on prices. Until the true value of property is established, regulators have only the vaguest idea of the total cost to Washington of supporting the ailing institutions. "We don't know what the banks are worth because we don't have a real estate market," a regulator said.

A deafening editorial silence

From Lord Kilbracken. Sir, The report by Andrew Gowers and Richard Johns on the Kurds of Iraq (March 23) is extremely accurate, although perhaps it gives too much credit for recent territorial gains to the Iranian army and too little to the fresh merger of the Patriotic Union of Kurdistan (PUK) and the Kurdish Democratic Party (KDP). It ends by commenting that the response of the international community to the long tragedy of the Kurds has "so far been a deafening silence". I suggest, Sir, that it is the silence of international editors - including, I regret to say, yourself - that has been principally responsible for this.

The following example is fairly typical. On the afternoon of March 17, hours after the first reports of the initial attacks with chemical weapons on the previous day on Halabja and the surrounding district, I passed the details on an exclusive basis to a UK national newspaper, together with the London telephone number of Mr Jalal Talabani, the PUK leader, if confirmation or further details were required. No attempt was made to contact him and not one word appeared in the paper next day - though at the time the estimate of civilian casualties, using cyanide and mustard gas, were already 2,000 killed and several thousand injured. John Kilbracken, British Kurdish Friendship Society, House of Lords, SW1

Letters to the Editor

Sticks and carrots for the carthorse

From Ms Valerie Etemad. Sir, In "The disgrace of Dundee" (March 21) I suggest that the basic trouble was not inter-union rivalry, important though that is, but the need for such a "beauty contest" to be held at all. Had there been a single union speaking for the entire workforce in the first place, as in some other countries, a single-union deal of the kind sought but resisted would have been clinched automatically. Either that or (besides) the Trades Union Congress (TUC) improving its machinery for settling inter-union disputes or establishing an employment department, as you suggested, which is really needed is a TUC initiative of reform. Its archaic and manifestly crumbling structure by promoting more union mergers. Germany, for example, whose existing union structure owes much to postwar British trades union statesmanship rather than trades union example, gets by reasonably well with just 16 unions.

Since this matter is too important to be left to the TUC and the unions themselves, however, it is both proper and necessary for the Government to lend a helping hand. The old carthorse, by a combination of sticks and carrots, needs to be dragged kicking and puffing into the late 20th - let alone the 21st - century for the good of us all. Valerie Etemad, London School of Economics, Houghton Street, WC2

Separate space to suit all tastes

From Mr A.J. Clayton. Sir, Mr Dewett's suggestion (March 19) that British Rail install "phoning" sections on its trains as well as "smoking" sections. Separate space should also be provided for passengers who insist on using personal cassette players. A.J. Clayton, Dunelm, 41 St Catharines Road, Brackbourne, Hertfordshire.

UK delays entry into the JESSI project

From Mr R.H.W. Bullock. Sir, Your report (March 13) on the European JESSI project, an advanced semiconductor technology says that "no British semiconductor company has been directly involved so far". This is true, but not the whole story. Last year a provisional "JESSI (UK)" consortium was established, including nine UK companies, with a view to negotiating UK participation. It has emerged that investment on an enormous scale is envisaged; it is clear that this is only possible for the leading industrial participants because their governments are willing to provide matching support.

The British Government has made it clear that it is not prepared to contemplate support on such a scale. Under the Microelectronics Industry Support Programme (MISP) support was limited to a maximum of 25 per cent (in practice usually pared back to between 12 per cent and 15 per cent). Even if the Government could be persuaded to back UK participation in JESSI, we believe that 25 per cent support is the most that could be hoped for. The inadequate level of past support for this key enabling technology (as the Government has described it), compared with that which our competitors have enjoyed from their governments, and the prospect of a continued (if not worsening) of this imbalance in relation to JESSI, means that the UK companies cannot afford to seek entry to the project; the provisional "JESSI (UK)" consortium has decided not to participate at this time. R.H.W. Bullock, Electronics Components Industry Federation, 7-8 Saville Row, W1

People forget that Mercury has had to grow its own cherries

From Mr G.M.W. Owen. Sir, Mr Mitford-Slade writes on behalf of the City Telecommunications Commission (Letters, March 23) under the challenging headline "Mercury must not pick cherries". We will be writing to the Committee members to set their minds at rest that Mercury remains committed as a supplier in the City. There is, however, an underlying matter of competition policy to be considered. It is not generally appreciated that in its 1982 licence Mercury was required by Government to build an all "digital" network; the Government was anxious that competition policy should push forward the frontiers of the developing information technologies. It is also not appreciated that the 1984 licence required Mercury to extend its network to 19 specified towns and cities

throughout Britain, including Glasgow, Edinburgh, Cardiff and Swansea. These requirements drove Mercury towards a widespread optical fibre distribution system providing an inherently high capacity and high quality transmission path. This, when linked to our growing number of electronic switches, means that Mercury customers are connected to the most modern public switched telecommunications network in the world. Optimal use of such a network is made by customers who take advantage of its ability to transmit all the various kinds of telecommunications signal - voice, text, data - simultaneously down one fibre link at high volume and high speed. Thanks to nearly \$500m of investment by Cable & Wireless, the Mercury network is now within reach of about half the telecommunications users in Britain. Mercury's disadvantage has been that, unlike British Telecom (BT), we are building the network from scratch and therefore have had to undertake considerable civil engineering works to reach each customer premises. This has been expensive and time-consuming especially when, as is often the case in London, independent landlords are reluctant to give permission for the work necessary for new cables to enter a building. The City of London is used to a service connecting the various financial and trading firms hitherto provided by BT by means of analogue, copper wires. These "private wires", as they are known, are often needed at short notice and for short periods. The demand for them in recent years has been unprecedented - fuelled by Big Bang. With its existing network, BT was better placed to respond to the increased demand, but Mercury made enormous efforts to keep pace and keep competitive. Our success can be judged by the facts that there are now nearly 1000 City buildings connected or adjacent to our network, and that Mercury provides services to nearly all the important City firms and institutions. In the debate about "cherry picking", people tend to forget that Mercury has had to grow its own cherries, and has had to do so according to Government specifications - but with its own money. G.M.W. Owen, Managing Director, Mercury Communications, 80 Long Acre, WC2

Lombard

The false friends of free markets and sound money

By Samuel Brittan

DURING THE COURSE of the controversy following the extremely unfortunate unpeppering of sterling against the D-Mark, two fallacious propositions have come into vogue, especially in the City of London. The first fallacy is that whatever the merits of a stable exchange rate for industry and exporters, the decision to let sterling rise was a victory for the anti-inflationary school. The second is that unpeppering the pound represents a free market approach; and that in saying "You cannot back the market", the Prime Minister was backing fundamental economic principles. It is obviously true that if sterling rises, the rate of inflation will be lower. The overvaluation of sterling in 1980-81 was the biggest single factor in bringing the British inflation rate down from double digits. The rise in the dollar was one of the principal routes by which the Volcker squeeze of 1981-83 so dramatically brought down US inflation.

But the very same reasoning suggests that a fall in sterling would be inflationary. Judging by the gap between British and German growth and inflation rates (and the trade figures for what very little they are worth), the main force pressures on sterling are likely to be downwards rather than upwards. The fundamental reason for supporting the previous DM 3 target for sterling (which does not mean the very precise round number ceiling operated by the Bank of England) was that it was the strictest constraint on inflation politically imaginable. For with sterling known to be pegged to the D-Mark, there would be no way in which the price of UK products entering into international trade could maintain a rise faster than that of German products.

The reason for the D-Mark's importance is both because of its role in British trade and because of the link it provides with the EMS system of pegged exchange rates. It is precisely this aspect, which the Prime Minister so much dislikes, which would most enhance anti-inflationary credibility. It is not an accident that the French inflation rate is below the British. Lord Bruce-Gardyne suggests

that the Chancellor should beware because he is supported in his desire for a stable pound by Labour spokesmen such as John Smith and Bryan Gould (not to speak of the Confederation of British Industry). The short answer is that not all these people are always wrong. It will nevertheless be extremely interesting to see if these allies remain in position if and when a stable pound requires headline-making high interest rates to prevent it from falling, rather than low interest rates to prevent it from rising. It will also be interesting to see the Prime Minister's attitude, given that she not only hates inflation, but also hates high interest rates. Remember too the previous occasion when the Number 10 machine threw a spoke in monetary policy. This was in 1985 when sterling was

before the Budget. But however difficult it is to guess the timing, the worrying threat for the future is downward pressure on sterling, not upward. What is the difference between the present vigorous upturn and the Heath-Barber boom of 1972-74? Not necessarily higher real interest rates, which may be a world phenomenon; nor even the Budget surplus. It is rather the fact that sterling went on to a sharply sinking rate in 1972, whereas this time it has held firm - so far. If we really did have a firm exchange rate framework the nearly meaningless trade figures could be treated with the contempt they deserve. A current account deficit offset by a capital account surplus would not then be a matter for Government policy. For the capital inflows do not reflect excessive government borrowing as they do in the US. But a sterling target would make sure that interest rates were raised to whatever level is required to ensure that the deficits were always either voluntarily financed or reduced through lower domestic spending. I have left little space for the more important fallacy, that letting sterling shoot up and down is a free market policy. But surely, if the demand to hold sterling rises, it is equally in accordance with market principles to increase the supply of sterling or to allow its price to rise. The decision must depend on the currency regime in operation.

The most important fallacy is that letting sterling shoot up and down is a free market policy

under downward pressure and the Prime Minister's Press Secretary, Bernard Ingham, gave the impression that his head did not mind how far sterling fell. To say that sterling should have been allowed to rise for anti-inflationary reasons in March 1983 is to make the cardinal error of looking only one move ahead. The change against the so-called "authorities" is that, by running away from defending the exchange rate in the phoney war against upward pressure three weeks ago, they have made their own task more difficult in any real war to prevent sterling falling. Indeed the Treasury and Bank made the mistake of worrying prematurely about downward pressures, because of a residual preoccupation with 1980-type variables, such as the current balance of payments and how much the Chancellor has "given away". This is one reason why they were so unprepared for the buying pressure on sterling

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During the 19th century heyday of the free market the world was on a gold standard when exchange rates were firmly fixed. Market economists have since been divided on whether currencies should be allowed to float against each other, or be pegged to provide an anchor for markets in real goods and services. The choice between the two is one of expediency, not deep principle. The point of principle is that there should be either an exchange rate standard or a domestic monetary policy standard, instead of chopping and changing between the two on the basis of either the Treasury forecasting model or the balance of personalities at the top of the Cabinet.

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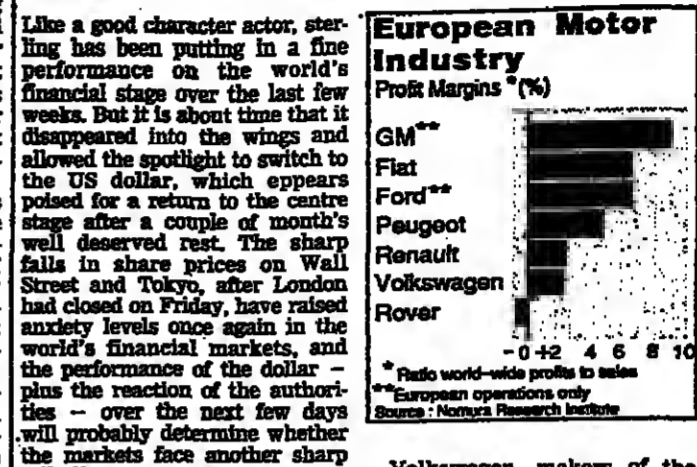
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THE LEX COLUMN

The dollar takes another bow



Like a good character actor, sterling has been putting in a fine performance on the world's financial stage over the last few weeks. But it is about time that it disappeared into the wings and allowed the spotlight to switch to the US dollar, which appears poised for a return to the centre stage after a couple of months' well deserved rest. The sharp falls in share prices on Wall Street and Tokyo, after London had closed on Friday, have raised anxiety levels once again in the world's financial markets, and the performance of the dollar - plus the reaction of the authorities - will probably determine whether the markets face another sharp sell-off.

It is only just over a week since the stock markets of Tokyo, London and New York hit their highest levels since last October's crash, and the combination of the renewed weakness of the dollar and the rise in US bond yields are powerful factors behind the abrupt change in sentiment. While there are incipient fears that the Japanese authorities might be forced to raise interest rates at some stage to curb their booming economy, which would be bad news for the dollar, the main concern still centres on the health of the US economy.

Fears of an early US recession are being replaced by worries about overheating, and the financial markets are in the process of adjusting to this change. Any indication that the US authorities are tightening policy in the wake of tomorrow's Federal Open Market Committee meeting - and the March employment figures due on Good Friday will give a good guide as to whether this is necessary - would be a nasty blow for the equity markets. And whilst this might be regarded as a last resort measure in an election year, the authorities may have little choice if the dollar were to come under renewed pressure.

Whatever their political ideologies, European governments have found it difficult to resist running their state motor industries a bit like a branch of the local social security network. So as a number of these companies contemplate privatisation, investors may be forgiven for wondering exactly how much non-commercial baggage they are bringing to the market from the days when cars were an active instrument of European social policy.

the remaining 16 per cent stake held by the government of Lower Saxony, the withdrawal of Bonn must have an impact to a number of ways, tangible and intangible. VW's unions, for their part, think employment will suffer and they must be right; unless it does, the company cannot hope to retain market share. Production must be shifted to lower cost countries like Spain (where VW owns yet another privatised automaker, SEAT) and components suppliers, too, must be taught a lesson about competitiveness.

For while VW's short term prospects are undoubtedly bright - US sales are firm despite recent headwinds over Audi, and European demand is surprisingly strong - the company could well lose its leadership of the European market next year. But with Bonn no longer around to enforce beneficence towards the workforce, the task of fighting off the Fiat/Peugeot challenge should be that much easier.

KIO

All those who suspect the Kuwait Investment Office may not be the discreet, passive investor it was always cracked up to be will be watching its progress in Spain with little surprise. The KIO's aggressive buying of BP in open defiance of the UK Government is as nothing compared to its hostile bid for Ebro, Spain's largest producer of sugar.

Whereas the KIO has hitherto kept its distance from most of the companies in which it invests, its unfriendly attempt to buy Ebro with a view to pumping money into it - perhaps with further takeovers in mind - suggests a new game altogether. As Spain's first hostile bid, the move is particularly bold; but as the price looks generous, and Spain has changed its rules to outlaw certain poison pill tactics, it may well succeed. Throughout last week, the screams of its victim got louder, but so far nobody seems to be listening.

Perhaps it is wrong to conclude too much from the £116m bid. The KIO may have decided to be aggressive in the relatively undeveloped Spanish market, where it has been uncharacteristically active for a couple of years, while in the more efficient UK and US markets it may still judge its hands-off approach to be the correct one. But one cannot help the lingering suspicion that its Spanish moves may be just a dry run for putting its roughly estimated £400m of assets to more hostile use elsewhere.

China growth may exceed plans

BY ROBERT THOMSON IN PEKING



Wang Bingqian addresses the National People's Congress in Peking

THE CHINESE budget has promised continuing strong economic growth of around 7.5 per cent this year, despite fears among some leaders that the economy is overheated. The Government has imposed curbs on everything from spending on construction to the length of meetings.

Wang Bingqian, the Minister of Finance, said the country would have a budget deficit of around 80m yuan (\$2.15bn) for the second successive year, suggesting that the concept of a deficit has become more acceptable to Communist Party officials who previously insisted on surpluses.

The budget shows clearly that the most sensitive political issue at present is inflation - said by Chinese researchers to be 10 per cent and rising - and there will be a 2.6 per cent increase in subsidies to residents to counter price increases. Wang said wage rises would also be approved for workers on fixed salaries, such as teachers and government staff, as they have been most affected by inflation.

A West European diplomat said that apart from a few of the obvious figures, the budget document is light on information and targets, suggesting that government officials fear growth will be far higher than planned. "There is no information about where they expect to get their increase in tax revenue. The budget gives the appearance of openness but is without much substance."

It is understood that leaders have agreed over the growth target with Zhao Ziyang, the Communist Party General Secretary, confident that growth of a little

under last year's 9.4 per cent would be ideal, while Li Peng, the acting Premier, is said to have argued for a growth rate of 5 per cent, fearing that a higher rate would destabilise an already overheated economy.

Foreign borrowing is expected to rise by 18.4 per cent to 12.2bn yuan (\$3.3bn), though last year's figure was only 70.5 per cent of that which was planned in the budget, because "preparation work for some construction projects was not completed and a corresponding amount of foreign loans was put off," Wang explained.

Defence spending is to rise by 2.6 per cent, though it has fallen as a proportion of total expenditure from 2.6 per cent to 2.17 per cent, reflecting the Government's continuing emphasis on civilian development. Spending on agriculture will rise by 4.5 per cent in an attempt to stimulate the output of grain and pork, which have been rationed in numerous cities since late last year.

The Government has promised to overhaul tax schedules, though there are few details in Wang's speech to the National People's Congress (NPC), the Chinese parliament. He indicates that a land tax and stamp duty will be introduced, but does not say how severe these will be and foresees the introduction of an electricity surcharge, which will be used to fund power development.

Wang condemns Government departments and enterprises for tax evasion and illegal issuing of houses. "Worse still, some people have violated laws or discipline by abusing power for personal gain... by practising extortion in disguised form, falsifying accounts, and doctoring final reports of revenues and expenditures."

The corruption theme was echoed in a speech by Yao Yilin, a Vice-Premier, who said that departments are forbidden from "winning and dining, and giving gifts at public expense", and should hold "fewer and shorter meetings". He also warned that "office buildings, auditoriums and hotels under construction or under renovation without approval by competent departments will be stopped".

Meanwhile, Tibetan delegates to the NPC have accused the Government of failing to understand the special characteristics of the region and other minority areas in drafting economic policies, and have demanded that more Tibetans be trained as officials.

Dofe Cering, the party-approved chairman of the Tibetan autonomous region, said minority areas "are no match" for the more developed provinces, and that special allowances should be made. The Panchen Lama, a Tibetan spiritual leader, said more Tibetans should be given government posts.

© The World Bank will lend China \$12bn from 1988 to 1992 as part of a new medium-term plan of cooperation. The New Guinea agency quoted Mr Barber Conable, President of the World Bank, as saying, Renter reports from Peking.

GNK in China deal, Page 4

Janet Bush on Wall Street

In search of the brighter spotlights

WALL STREET'S biggest money spinners have got fed up swelling the numbers in the chorus line - one the most perceptible cultural shifts in this post-crash environment, the ideas-men (there still seem to be few front-line women) and mergers and acquisitions geniuses are stepping forward to play starring roles in their own companies.

Gone are the days when star individuals performed were content to head large departments full of keen MBAs in the unwieldy securities giants which dominated the 1980s bull market in bonds and stocks.

The last few weeks have seen some notable defections, accompanied invariably by statements about "wanting to run my own show." The resignation of Mr John Torell, heir apparent at Manufacturers Hanover, took many by surprise, sparked lots of talk about discontent in the top ranks of the bank but was probably, as Mr Torell himself said, a case of "wanting to sit at the top of the table."

Mr Bruce Wasserstein and Mr Joseph Perella, the leading mergers and acquisitions duo, quit First Boston days after a sweeping managerial review was announced which gave them more power, though apparently not enough to reward them for what some bank analysts estimate to be their contribution of 70 to 75 per cent of First Boston's net after-tax income in 1987.

The apparent need for autonomy, a closer relationship between performance and personal earning power and a dose of profile-seeking seems to have lain behind many of the current bids for independence.

Mr Peter Peterson, chairman of the Blackstone Group, says: "These are people who went into Wall Street when securities firms had maybe 650 employees. They liked the sense of smallness, of relevance. Then the firms grew to 40,000, 50,000 and they suddenly felt anonymous."

His likens the overweening optimism and expansionist philosophies of the big securities houses to the hubris of the US government of the 1960s, which believed that growth would continue without end and that resources were endless.

The sudden philosophy of "small is beautiful" is a natural reaction to the bull market years. The gradual piling up of fixed costs, huge overheads and cumbersome management structures made the large companies vulnerable to the inevitable cyclical downturn in the industry when it came, in Mr Peterson's view.

The desire by some of the securities market's best performers to go it alone is plainly something that has built up over time. There is little doubt, however, that the broad retrenchment and review of managerial priorities which followed the October market collapse had made life more untenable for individuals.

Some new executive recruitment trends say something about where the large securities companies are heading.

Mr Henry de Montebello, managing director of executive search company Russell Reynolds Associates, says the crash has highlighted the need for strong central managerial control to balance the departments which make significant amounts of money and those which don't.

He sees expansion into fee earning areas and retrenchment in the areas which depend on margins. The case of Wasserstein and Perella is simple: "People have figured out that mergers and acquisitions make money."

He describes the crash as a major hiccup for the large securities firms but believes the big players will regroup, rethink and, in the long term, come out better managed and more able to cope with downturns.

The profile of small investment banking firms has risen higher and higher in the months since the crash, not least because of the star names they have attracted - Mr Paul Volcker, ex-chairman of the US Federal Reserve, has joined James D Wolfensohn Inc, and last week, Mr David Stockman, President Reagan's budget director in 1981 to 1985, left Salomon Brothers to join the Blackstone Group.

However, there are other, less glamorous growth areas. Bright-eyed business school graduates, who six months ago never considered any alternative to Wall Street securities firms, are now tentatively looking at jobs in manufacturing and retailing.

Henry de Montebello reports an explosion of recruitment in manufacturing. There is, he says, an emphasis on quality rather than quantity which reflects the perception of ever-stiffer world competition. There is also a demand for international talent from companies wanting to build up their export business.

Italians try to stay on the ball

ITALY is gripped by a mood of crisis which, for once, has nothing to do with efforts to form a new government or the debate on the runaway national deficit, writes John Wyles from Rome. Browns are furored in factory and farm over the high-level threat to deprive the country of staging international football's 1990 World Cup.

"This is a national disaster," says an official at Italy's national organising committee. As the man responsible for insuring against losses from failure to stage the most important event in the world soccer calendar, there is a particular edge to his distress.

But he was also speaking for the millions of Italians for whom national pride is largely associated with the fate and failure of the country. The home advantage in 1990 could make all the difference to an Italian squad still struggling to reach world-class form.

The possibility that the team might find itself playing in Mexico or West Germany rather than in Rome was raised chillingly last week by Mr Joseph Blatter, secretary general of Fifa, the international football federation.

Proclaiming his "very great worry," Mr Blatter pointed to the absence of any sure date for starting construction of a £300m (\$32.9m) telecommunications centre for transmitting commentary and television pictures to more than 150 nations. With the games little more than two years away, the Italian national broadcasting service, Rai, has still not

won planning permission from the authorities.

Standing on a 1988 written undertaking from the Italian Government that all necessary services would be provided, Fifa is obviously alarmed at the jeopardy to its principal source of income.

With memories of the last world cup in Mexico, when crossed transmission lines delivered the wrong commentaries to the wrong countries, the federation wants to be sure that the Italian facilities will be up to the task.

Mr Blatter said Mexico (presumably radio and televisionally rehabilitated) or West Germany may be called into the breach at the end of June if there was no certainty on the transmission issue.

The city council is due to discuss the problem in a fortnight, but Mr Blatter may have injected a new sense of urgency. If any more was needed, the alternative to transferring the World Cup out of Italy would be to build the Rai centre in Milan and to stage the cup final there as well. This would inflict the nastiest wound on Roman pride, and, if seriously espoused by Fifa, could probably remove all political obstacles.

Stoltenberg calls on Britain to join EMS

Continued from Page 1

wholeheartedly for Britain to join.

The UK's membership of the exchange rate mechanism (ERM) of the EMS would presumably give Bonn an ally to help water down a possibly inflationary French idea for changing EMS intervention and credit rules.

Referring to recent suggestions on developing the EMS by Mr Edouard Balladur, the French Finance Minister, Mr Stoltenberg said they contained two essential elements.

"The French have made very concrete suggestions for immediate methods of strengthening the EMS, which include some points the Government and the Bundesbank will have to discuss in an amicable but critical manner."

Then there are some other proposals stretching much further, in the direction of monetary union and a common central bank. These are much more cautious and hedged with conditions than many reports have indicated. We have started bilateral conversations on these points and shall continue."

Mr Stoltenberg said the key for monetary progress in Europe was the liberalisation of capital controls. "How can you talk of European co-operation when six of the 12 EC members have not liberalised their capital markets?"

He also said that British membership of the ERM was one of the preconditions for further development of the EMS in the direction of a permanent pooling of monetary reserves among member countries. This was suggested when the EMS was set up in 1979, but has since been blocked above by the Bundesbank.

"We cannot talk about a permanent transfer of reserves as long as important members - such as Britain, and now Spain - are not in the currency agreement. These are essential conditions - we must come to a European community with equal rights and conditions."

Mr Stoltenberg said he believed the US was now committed to stabilising the dollar at around the current rate. However, he was not sure whether the US would raise interest rates to defend the dollar if necessary before the Presidential election this autumn. "We talk about it analytically with each other, but I cannot speculate... that is a very difficult question."

S Africa 'losing UK companies'

BY MICHAEL HOLMAN IN LONDON

ONE IN five British companies operating in South Africa has withdrawn over the past two years, says a report due to be published next week.

The number of British companies with subsidiary or related companies in the republic has fallen from 297 to 235 as a result of commercial and political factors, according to the Anti-Apartheid Movement, a London-based organisation that advocates sanctions against South Africa.

A further 19 companies substantially reduced their exposure during 1986 and 1987, either by partial disposal of subsidiaries or by reducing their shareholdings, while three UK companies have indicated their intention to disinvest during 1988.

Britain's economic relations with South Africa are being

restructured away from direct investment and towards other commercial linkages such as licence and franchise agreements, says the report.

After a slower initial response than US companies to declining profitability, shareholder pressure and political uncertainties in South Africa, the pace of British withdrawals "quickened markedly."

The roll-call includes leading British companies such as Barclays, BICC, Legal & General, John Mowlem, Rover and Vickers. An estimated 40 per cent of foreign investment in South Africa is British. Total UK direct investment has fallen from \$5bn (\$1bn) in 1980 to an estimated \$2.5bn in 1988, says the report.

This is partly because of the steep decline of the South African rand. But the sale of South African subsidiaries by Barclays and Standard Chartered banks alone saw the book value of UK investment fall by 10 per cent, the report calculates.

The report argues that disinvestment has nevertheless had several adverse consequences for South Africa. Among these are:

- As companies reduce their direct involvement they have less of an interest in opposing sanctions.
- Disinvestment exacerbates South Africa's position as a net exporter of long-term capital, not only as a result of the outflow of disinvestment proceeds, but through the removal of access to future sources of capital that company withdrawal implies.
- Deepening turmoil: Mixed success of disinvestment, Page 4

Jackson wins Michigan

Continued from Page 1

the presidential nomination outright at the national convention with more than half the delegates already chosen, the two leading candidates, Mr Jackson and Governor Dukakis, each holds barely more than a quarter of the 2,022 delegates needed to win the nomination outright at the Democrat national convention in Atlanta in July.

According to calculations published in the Washington Post yesterday, the delegate totals were: Governor Dukakis 568, Mr

Cerus 'not after' SGB majority

Continued from Page 1

La Générale's Franco-Belgian defenders gave no formal response yesterday.

Mr De Benedetti said he would split the company into three broad lines: heavy loss-makers in need of special attention; success cases as banking and insurance, which would be "relaunched"; and underperformers, such as Sidmar and Arbed, the steelmakers, which would be given "an intelligent strategy."

World Weather

City	Temp	Wind	Cloud	Humidity	Pressure
Algeria	20	10	10	65	1012
Amman	17	8	10	65	1012
Amsterdam	10	12	10	85	1012
Antwerp	10	12	10	85	1012
Bombay	28	15	10	75	1012
Buenos Aires	15	10	10	75	1012
Calcutta	28	15	10	75	1012
Cardiff	10	12	10	85	1012
Cebu	28	15	10	75	1012
Chicago	15	10	10	75	1012
Copenhagen	10	12	10	85	1012
Dublin	10	12	10	85	1012
Hong Kong	28	15	10	75	1012
London	10	12	10	85	1012
Lyons	10	12	10	85	1012
Manila	28	15	10	75	1012
Medan	28	15	10	75	1012
Osaka	15	10	10	75	1012
Paris	10	12	10	85	1012
Perth	15	10	10	75	1012
Rangoon	28	15	10	75	1012
San Francisco	15	10	10	75	1012
Singapore	28	15	10	75	1012
Sydney	15	10	10	75	1012
Tokyo	15	10	10	75	1012
Yokohama	15	10	10	75	1012

Court move on Ebro bid

Continued from Page 1

ing a 10.5 per cent stake in the country's biggest bank, Banco Central, with two local investors last year. But that anger seems unlikely to help Ebro, which has hired a French investment bank to mount a defence.

Beside complaining to the Madrid Stock Exchange and the Government about the bid, it has also attacked the offer in large newspaper advertisements presented as letters to shareholders. Torras, although a KIO-controlled sub-

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INTERNATIONAL BONDS

Nervous Eurodollar market grinds to a halt

BY CLARE PEARSON IN LONDON

A FALLING US dollar and weakening US Treasury market, followed by a sharp drop in share prices with such jitteriness in the international capital markets last week it was hardly surprising that investors were standing back from Eurobonds.

Though a dollar deal for the European Community is said to be imminent, the Eurodollar new issues market stood at a virtual standstill because of the nervous atmosphere.

New issue managers were left with little choice but to fall back on issuing deals in the higher-coupons currencies, aimed at catching the eye of the small Continental retail buyer.

For the second running, the Canadian dollar sector formed the main focus of their attention, with a hefty C\$850m worth of extra paper surfacing, which the market seemed to absorb with remarkable ease. More deals are on the way this week, syndicate managers say.

Even if a logjam ultimately occurs in the primary market, the Canadian dollar sector shows signs of assuming the role the Australian dollar market enjoyed during the first nine months of last year - the market for Continental retail investors.

The strength of the Canadian currency, combined with relatively attractive yields, is the common explanation for the sector's strength.

Yields on Australian dollar bonds are higher and the currency has been strong recently, but investors have probably not forgotten the Australian dollar's sharp plunge after last October's stock market crash.

The Canadian government bond market's yield advantage over the US Treasury market has narrowed markedly recently. Its high for the year was about 150 basis points but it now stands at only about 1 per cent.

On individual Eurobonds, the Canadian sector's yield advantage can be even narrower. For instance, on Friday a five-year US dollar issue for Oesterraeische Kontrollbank was yielding 8.70 per cent, while a comparable five-year Canadian dollar

bond for the borrower yielded 9.55 per cent.

Yield margins of almost all recent Eurobond issues over Canadian government bonds tightened from their launch level of last week - in apparent defiance of gravity, given the continued flow of new paper. A five-year deal for General Electric Capital Canada, for instance, even though it was increased by C\$50m to C\$600m, was trading on Friday at less than 40 basis points over Canadian government bonds - about five basis points narrower than at launch.

The C\$300m deal for BCE, launched on Thursday, never less traded within the total fees at less than 1 1/2 bid - even though it was the biggest bond the sector has ever seen and the last of the week's to emerge.

There were, of course, exceptions to the string of successful deals.

A five-year bond for GMAC Canada was seen as too expensive by most dealers and traded on Friday at less 2 bid, compared with 1 1/4 per cent total fees.

Meanwhile, a four-year issue for the unrated Club Med subsidiary of Club Med Finance looked extremely tight at a yield spread of about 35 basis points over the Canadian government bond yield curve. There was no screen price for the issue on Friday.

It was also notable that no issuing house ventured to launch a Canadian bond with a maturity beyond five years last week. The week before, seven-year issues for Mitsui and Toronto-Dominion Bank had performed disappointingly.

Demand for longer-dated bonds seems generally weak in the Eurobond market at the moment. Daiwa Europe, however, said last week it deliberately chose the seven-year area of the yield curve when it launched a ¥500m bond for Norway - the largest the sector has seen this year.

The issue was expected to be sold as a switching opportunity for investors wanting to take advantage of a recent steepening of the Euroyen yield curve.

In the five-year area, Euroyen bonds now offer a yield differential over Japanese government bonds (JGBs) of only about 62 basis points; by contrast, the spread in the seven-year area is about 80 basis points.

This is because the only recent substantial buyers of Euroyen have been central banks, which are restricted to purchasing issues with maturities of five years or less. A heavy redemption programme in the JGB market is leading them to turn more attention to the Euroyen sector.

The expectation of tight supply in the JGB market, indeed, provides a favourable underpinning for the Euroyen market in the coming year.

The Japanese Government is expected to add an estimated ¥4,500bn to the market in the year starting next month. In May, the world's largest bond issue - the 6.1 per cent No.10 - is due for redemption for over ¥3,000bn.

However, the Japanese interest rate outlook has been dull and many foreign investors have already taken currency profits arising from the yen's appreciation against the dollar over the last few weeks.

Domestic buyers have been held back by the approach of the fiscal year end.

That said, dealers noted Norway's bond encountered a surprising number of outright buyers, rather than just switchers. It traded within fees at less 1 1/4 bid on Friday.

The D-Mark sector was also lacklustre last week. Both D-Mark Eurobond and domestic bond prices closed on Friday about 1/2 percentage point better on the week but in low turnover.

Most of last week's new issues failed to impress the market. Least popular was probably Philip Morris' five-year bond, bid a full three points below its issue price on Friday. But Lufthansa's deal also met a lukewarm response, trading at less 2 1/2 bid, providing further evidence that investors are reluctant to buy 10-year paper in so nervous an interest rate environment.

Electrolux to boost UK production with £17.7m investment

BY CHRISTOPHER PARKES IN LONDON

ELECTROLUX, the Swedish electrical products group, is to spend £17.7m (£32.4m) to increase output and improve efficiency in its UK domestic appliance operations.

The investment is the first stage of the group's capital expenditure programme for Britain, according to Mr Roger Baxter, managing director of the group's UK subsidiary. It follows the £42m purchase of Thorn EMI's fading white goods business last summer.

More than half of the investment, £9.25m, will be spent at the Luton, Bedfordshire vacuum cleaner factory.

Production is expected to rise by 25 per cent from the current level of 1m machines a year, following the installation of automated assembly equipment and other improvements.

A further £4.5m will be used to revamp the former Thorn refrigeration factory at Spennymoor, Co Durham. Output of Zanussi, Tricity and Electrolux brand refrigerators should increase from 500,000 to 690,000 units a year.

The balance will be shared between the Luton microwave oven plant, which was expanded 18 months ago with a £2m investment to make ovens for the whole of Europe, and the spares and components subsidiaries at Newton Aycliffe, Co Durham.

Mr Baxter said it was impossible to say if the investments would have any effect on jobs. "The number of jobs we have depends on the number of products we sell," he added.

As well as gaining a bigger share of the UK appliance market - helped by a six-fold rise in Electrolux advertising expenditure this year - the company aims to increase exports.

Shipments from Luton to continental Europe are expected to rise 50 per cent to £45m, and the company also hopes to export 3m cookers as well as more floorcare products and domestic refrigerators.

Turnover of Electrolux group companies in Britain, which include the Flymo lawnmower business and commercial and industrial subsidiaries, is expected to reach £750m in 1988, according to Mr Jimmy James, chairman of the UK group.

The company is expected to launch its first Electrolux brand cookers in the UK this week and start deliveries to retailers next month.

EUROCREDITS

Scandinavians continue to surface with tightly priced deals

BY STEPHEN FIDLER IN LONDON

SCANDINAVIAN corporate borrowers have continued to emerge in the international loans market and still more are said to be on the way.

Alfa-Laval, the diversified Swedish engineering group, is raising \$200m through a five-year revolving credit led by Credit Suisse First Boston.

The credit, with a \$100m swing-line option, follows the pattern of tightly-priced deals for Swedish borrowers. It carries facility fees of 4 basis points for the first three years and 5 basis points for the remaining two.

It pays interest at London interbank offered rates or prime rate, with utilisation fees of 5 basis points if less than one-third

drawn, 7 1/2 basis points if less than two-thirds and 12 1/2 basis points if more than two-thirds. Front-end fees are said to range down from 5 basis points for a \$25m commitment.

In the week that Samuel Montagu completed acquisition of a £165m project financing for Shell Paper, the UK subsidiary of Finland's United Paper Mills, Kymmene, another Finnish forest products group, launched a \$150m facility.

Citibank is arranging the seven-year credit which is in two parts. The first is a \$50m loan, paying interest at 17 1/2 basis points over Libor, with repayment in seven semi-annual instalments starting after four years.

The other element is a \$100m revolving credit, carrying a 6 1/2 basis point commitment fee on the undrawn part and a margin of 15 basis points on the drawn element. A fee of 2 1/2 basis points is payable if more than \$5m is drawn.

Chase Investment Bank is syndicating an aircraft finance deal for Air France, although the borrower is an Irving Trust leasing subsidiary. The amount is \$81.2m, enough to buy about 80 per cent of a Boeing 747-200, and the deal carries a final maturity of 15.9 years.

The Trans-Turkian Pipeline Company is raising \$60m to refinance the outstanding portion of an Ecu150m loan it signed in

December 1983. The borrower operates a pipeline between Tunisia and Italy and is owned by SNAM, part of the Italian state holding group, ENI.

The five-year loan, being arranged through Bank of America, pays interest at 12 1/2 basis points over Libor and banks receive 12 1/2 basis points for a \$7.5m commitment and 10 basis points for a \$5m commitment. The lender can opt to switch into French francs from the end of the second year.

Banca Commerciale Italiana is raising Ecu25m for Kraft Foods, the state fund, over 10 years, at a margin of 15 basis points.

While Hungary is said to be sounding out the market to raise between \$300m and \$400m, another Eastern European borrower, Czechoslovakia, is seeking \$50m through a five-year floating-rate certificate of deposit facility for Ceskaoblovenska Obchodni Banka. The facility, being arranged by First Chicago, carries a margin of 12 1/2 basis points over Libor with 22 1/2 basis points at the front end for a \$10m commitment.

The country's previous international borrowing carried the same margin, but that financing, signed in August, was for more and longer - \$200m over 10 years.

Nevertheless, bankers' perceptions of the country cannot be said to have improved since then, and a number believe the terms should have been more generous.

In the UK, Atlantic Computers, the IBM computer supplier, signed a £120m, three-year multi-pilot facility arranged by NM Rothschild, increased from £75m.

The committed financing carries a 25 basis point margin and a 10 basis point utilisation fee if more than half drawn. Facility fees of 15 basis points are payable on the so-called available tranches, and 10 basis points on the unavailable.

In commercial paper, Chase Manhattan is launching a Euro-commercial paper programme on which it has pre-set no size limit. Chase and CSFB are arrangers.

KLM to take over Netherlines

KLM ROYAL Dutch Airlines is to take over Netherlines, the struggling Dutch regional airline.

Netherlines was founded in 1984 by Mr Leen Janssen, a pilot turned entrepreneur, who sold the company in 1986 to Nedlloyd. It has been restructuring its operations in an effort to cut losses of about £1.2m (£10.5m).

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EUROMARKET TURNOVER £m

Primary Market	Secondary Market	US\$	DM	FFM	Other
US\$	3,994.6	0.0	5.1	7,771.1	
DM	3,782.2	4.2	565.0	7,011.0	
FFM	4,181.9	105.3	293.9	645.5	
Other	4,381.9	0.3	0.0	1,794.2	

US\$	DM	FFM	Total
16,811.8	1,615.4	8,672.8	5,499.2
18,096.9	1,638.4	7,918.5	5,275.5
18,967.9	997.1	3,787.8	17,882.0
17,754.2	1,812.7	3,476.6	21,843.9

Week to 24 March 1988. Source: AIB

These Bonds having been sold, this announcement appears as a matter of record only.

New Issue

March 1988



The Copenhagen County Authority
 (Københavns Amtskommune)
 Denmark

Swiss Francs 47,500,000
 4 3/8 % Bonds 1988-1992

S.G. Warburg Soditic SA

- Bank Heusser & Cie AG
- Banque Paribas (Suisse) S.A.
- Kreditbank (Suisse) S.A.
- Banque Gutzwiller, Kurz, Bungener S.A.
- Chase Manhattan Bank (Switzerland)
- Unigestion S.A.

- Alpha Securities AG
- Banca Commerciale Italiana (Suisse)
- Bank S.G. Warburg Soditic AG
- Crédit des Bergues
- Nippon Kangyo Kakumaru (Suisse) S.A.
- Swiss Cantobank (International)
- Amro Bank und Finanz
- Bank Leumi Le-Israël (Schweiz)
- Banque Kleinwort Benson S.A.
- Morgan Stanley S.A.
- J. Henry Schroder Bank AG

These Promissory Notes having been sold, this announcement appears as a matter of record only. The Kingdom of Sweden is a signatory to the arrangement on guidelines for officially supported export credits.

February 1988



AB Svensk Exportkredit
 (SWEDISH EXPORT CREDIT CORPORATION)
 (Incorporated in the Kingdom of Sweden with limited liability)

Swiss Francs 59,750,000
 Promissory Notes in 4 Series

- Swiss Francs 14,030,000 Promissory Notes, due April 1, 1989
- Swiss Francs 13,040,000 Promissory Notes, due April 1, 1990
- Swiss Francs 13,680,000 Promissory Notes, due April 1, 1991
- Swiss Francs 19,000,000 Promissory Notes, due April 1, 1992

Arranged by

S.G. Warburg Soditic SA

INTERNATIONAL CAPITAL MARKETS

UK GILTS

Technical outlook offers solid base

IF THERE is one thing that has underpinned the gilt-edged securities market in its current and rather dull trading range, it is what analysts and traders describe as the "technical" outlook for the year ahead.

speech, that foreign exchange intervention need not be sterilised during the year in which it occurs. The conclusion drawn from this is that the pre-Budget intervention might be funded in the coming year.

The conventional market wisdom is that, even though the economic foreground is uncertain - the behaviour of longer-dated yields still underlines latent concerns over the conduct of policy and the outlook for inflation - the technical background has stopped it deteriorating.

As for the types of gilts to be issued, index-linked will play an important role, as it is seen as potentially cheaper funding given the Government's policy on inflation. However, this will not be to the detriment of the conventional market, where debt issues will be conducted to ensure that no sector of the market is out of line with the others.

Building societies' attitudes to gilts have indeed undergone large changes. In 1985, the societies were modest net buyers of \$31m of gilts. In 1986, they were net sellers to the tune of \$1.5bn and in 1987 net sellers of \$1.2bn.

The reasons for this are fourfold: a change to the taxation of capital gains in 1984; a progressive reduction of the societies' liquidity to assets ratio from around 20 per cent to about 15 to 16 per cent; the introduction of penal capital adequacy rules which made the holding of gilts with a maturity of more than five years very costly; and the progressive reduction of the share of liquid assets devoted to gilts.

The average maturity of the societies' gilt portfolios is in the region of 2 1/4 years. The joker in the pack is the judgment on the societies' behaviour this year. Treasurers of leading societies believe the structural changes have almost run their course, though not quite.

The debt managers at the Bank are not about to move to half-time working and go off to play cricket as there are so many imponderables in funding, not the least being intervention.

The Bank is working from the Treasury's Budget forecast and on the policy enunciated by the Chancellor in his Mansion House

US MONEY AND CREDIT

The Crash of '87 reappears in abridged version

IT MAY be that all disasters become commonplace in the end, but it is early to be putting out pocket versions of The Crash of '87. Last week, however, US financial markets churned one out all the same - condensed, amplified and scary.

Credit markets have been spoiling for a showdown for a month now. Gone is the easy confidence of January, when many economic forecasters believed a recession was in store and would bring lower interest rates in its train.

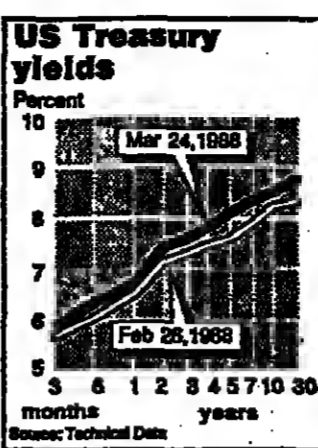
Stocks crashed last October because bond investors panicked at the booming economy and tumbling dollar and drove up the cost of money to put a stop to both. Last week, the bond market had a shot at pulling the same stunt.

Last week, these fears took on a concrete form. The market became anxiously worried that the Federal Reserve Open Market Committee, which meets tomorrow to discuss money-market policy, would decide to check the supply of credit to head off inflationary pressure.

The bond market then recovered in exactly the fashion of late October, when stock investors fled for the safety of government debt securities. The Treasury long bond, which reached a peak yield of 8.51 per cent on Thursday, was back down at 8.67 per cent by Friday afternoon.

These fears may sound fanciful. Consumer prices rose only 0.2 per cent in February and the Federal Reserve would think twice about pushing up interest rates because of strong demand in manufacturing.

But the credit markets were leaving nothing to chance and drove interest rates steadily up.



market economist at Irving Securities, puts it dramatically: "The market was attempting to establish itself against the worst of all possible outcomes until the stock price drop produced the realisation that the world economy could not tolerate higher yields."

Having taken care of the Open Market Committee meeting, the bond market still has three big issues to contend with this week. The first is the stock market, which is likely to rank highest in the concerns of bond investors.

The second issue is the dollar exchange rate, which has started falling after several weeks of stability. In spite of intervention to buy dollars by the Bank of Japan and the Federal Reserve, the cur-

rency was trading down at just over 125 by Friday afternoon. The market expects further pressure this week.

The last big item is the report on unemployment and payrolls due on Friday. These monthly figures have become the market's new bungee, vying in importance with trade figures. A small increase in employment and no change in the jobless rate would probably steady bond prices.

The following economic statistics are due for publication this week. With them are consensus forecasts compiled by Money Market Service of Redwood City, California:

● New home sales in February, due on Tuesday. These are expected to have risen by 7.5 per cent, although the range goes from unchanged to up 14 per cent.

Japan to boost domestic bond market

RESTRICTIVE RULES governing the Japanese corporate bond market could be abolished in the wake of a strong surge in issues by Japanese companies.

Officials at the Japanese Ministry of Finance are studying ways of liberalising the domestic corporate bond market to encourage borrowers to make issues at home instead of abroad.

Officials at the Japanese Ministry of Finance are studying ways of liberalising the domestic corporate bond market to encourage borrowers to make issues at home instead of abroad.

straight bonds without first depositing collateral at a bank. However, the banks have long been asking for an end to a ban on their overseas securities subsidiaries underwriting Japanese corporate bonds.

The investigation will go to the heart of the most important conflict in the Japanese financial market - the battle between banks and securities companies.

Some hard bargaining is likely before any agreement is reached. It might also involve an end to the long-standing restrictions on securities companies' foreign sub-

sidaries trading in the currency markets. The MoF's concern is to re-orient Japanese corporate bond issuance. Japanese companies' bond issues at home and abroad during the current fiscal year to March 31 are estimated to have achieved a record ¥12,000bn, 22 per cent from the previous fiscal year.

Stefan Wagstyl

Table with 5 columns: Instrument, Last, 1 week, 4 wks, 12-month. Includes US Money Market Rates and US Bond Prices and Yields.

Table with 5 columns: Instrument, Last, 1 week, 4 wks, 12-month. Includes NRI Tokyo Bond Index.

Table with 4 columns: Instrument, Bid, Offer, Yield. Includes FT/IBD International Bond Service listings.

Royal Insurance

REPORT ON 1987

Despite unprecedented weather losses in the UK and adverse currency movements, Royal's performance in 1987 showed strong underlying improvement in every area of business.

Good news for our shareholders, of course.

But also good news for our policyholders around the world, whose protection and peace of mind depend on our continuing financial strength.

The last few years have seen major changes at Royal Insurance. A leaner central management team, more autonomy and market-responsiveness in operating companies, a greater use of information technology and major initiatives to maintain and improve standards of customer care are just a few of them.

Our commitment to our policyholders is one thing we do not plan to change - now, or in the future. Our record of providing a high level of service continues to epitomize all that Royal stands for in looking after its clients.

For the full story on 1987 - and a look at the prospects for 1988 - simply send the coupon to receive a copy of Royal's Annual Report and Accounts.

Royal Insurance

Copies of the Annual Report and Accounts, which is being posted to all shareholders, are available from: Corporate Relations, Royal Insurance plc, Group Head Office, 1 Cornhill, London EC3V 3QR.

Form with fields for NAME, ADDRESS, POSTCODE.

Large table with multiple columns listing various international bonds, their yields, and other financial data.

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New Issue

2nd March, 1988

£100,000,000

BRITISH AIRWAYS Plc

10 per cent. Bonds due 1998

Issue Price 100% per cent.

Union Bank of Switzerland (Securities) Limited

- | | |
|---------------------------------------|--|
| Barclays de Zoete Wedd Limited | County NatWest Limited |
| Phillips & Drew Limited | S. G. Warburg Securities |
| ANZ Merchant Bank Limited | Banque Bruxelles Lambert S.A. |
| Chase Investment Bank | Commerzbank Aktiengesellschaft |
| Crédit Lyonnais | Daiwa Europe Limited |
| Deutsche Bank Capital Markets Limited | Dresdner Bank Aktiengesellschaft |
| Goldman Sachs International Corp. | IBJ International Limited |
| Morgan Stanley International | Nomura International Limited |
| Prudential-Rache Capital Funding | Solomon Brothers International Limited |
| | Wood Gundy Inc. |

This announcement appears as a matter of record only.

New Issue

1st March, 1988

ECU 50,000,000



Crédit Local de France — CAECL S.A.

7½ per cent. Notes due 1991

Issue Price 101 per cent.

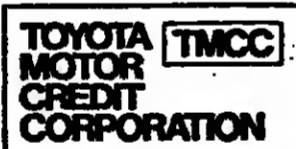
Union Bank of Switzerland (Securities) Limited

- | | |
|-------------------------------------|--|
| Banque Bruxelles Lambert S.A. | Caisse des Dépôts et Consignations |
| Chase Investment Bank | Crédit Lyonnais |
| Banca del Gottardo | Banque Worms |
| BNP Capital Markets Limited | Caisse Centrale des Banques Populaires |
| Caisse Nationale de Crédit Agricole | Generale Bank |
| Morgan Stanley International | Swiss Volksbank |
| | Westdeutsche Landesbank Girozentrale |

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New Issue

16th February, 1988



£75,000,000

Toyota Motor Credit Corporation

9½% Notes Due 1993

Issue Price 101 per cent.

Union Bank of Switzerland (Securities) Limited

- | | |
|--|--|
| Merrill Lynch International & Co. | Shearson Lehman Brothers International |
| BNP Capital Markets Limited | Banque Bruxelles Lambert S.A. |
| Chase Investment Bank | Credit Suisse First Boston Limited |
| Daiwa Europe Limited | Dresdner Bank Aktiengesellschaft |
| Leu Securities Limited | J. P. Morgan Securities Ltd. |
| Morgan Stanley International | The Nikko Securities Co., (Europe) Ltd. |
| Nomura International Limited | Phillips & Drew Limited |
| Solomon Brothers International Limited | SBCI Swiss Bank Corporation Investment banking |

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New Issue

11th February, 1988



Household Financial Corporation Limited

(Incorporated under the laws of Ontario, Canada)

Can. \$75,000,000

10¼ per cent. Guaranteed Notes due 1993

unconditionally guaranteed by

Household Finance Corporation

(Incorporated under the laws of Delaware, U.S.A.)

Issue Price 100¼ per cent.

Union Bank of Switzerland (Securities) Limited

- | | |
|-------------------------------|-----------------------------------|
| Banque Bruxelles Lambert S.A. | Commerzbank Aktiengesellschaft |
| Daiwa Europe Limited | Goldman Sachs International Corp. |
| Leu Securities Limited | Merrill Lynch International & Co. |
| | Swiss Volksbank |

UK COMPANY NEWS

Wills hit by order delays

DELAYS in significant orders at CT Group, the marketing services division, accounted for a major portion of the downturn in taxable profit in 1987 at Wills Group, Surrey-based importer and exporter. Profits fell to £1.27m against £2.23m last time. Turnover also dropped, to £104.01m (£118.58m), as did earnings, to 6.7p (13.2p). In the light of the result and the necessity to preserve a prudent level of capital and reserves, the directors recommended a decreased final dividend of 2p (4.4p adjusted) to make a total for the year of 4p (6.4p adjusted).

Mr Christopher Spence, chairman, said that, subject to no unforeseen circumstances, the directors intended to restore the total dividend for the current year to the previous level.

About 60 per cent of the Wills equity was acquired in November by Australian Investment Corporation, a quoted Australian investment company, and associated which are part of Tyndall Holdings, investment and fund management company.

H&C stake transferred

A 12 PER CENT stake in Harrison's & Crossfield held by Permodalan Nasional Berhad, the Malaysian government investment agency, is to be transferred to Sime Darby as part of a rationalisation exercise, writes Wong Salong in Kuala Lumpur.

Sime said it would issue 109.15m new shares to PNB in exchange for the 9.926m shares of H&C, valuing the deal at \$90.5m with the exchange. PNB will increase its stake in Sime from 7 per cent to 16 per cent.

Sime said it is buying the H&C stake as a long term investment. London-listed H&C is involved in chemicals, industrial manufac-

Norman Hay up 53% to over £1m

Norman Hay, electro-plating and anodising company, reported a 53 per cent jump in pre-tax profits from £267,000 to £408,000 for 1987 with second-half profits of £276,000 against £448,000.

The directors said that progress in traditional metal plating activities had been good, particularly Borough Plating where demand had led to significant increases in both turnover and profitability.

A final dividend of 3.3p (2.71p) is proposed for a total of 3p (4.1475p). Earnings increased 53 per cent to 16.5p (10.8p).

Turnover for the year was 20 per cent ahead at £7.69m (£6.4m) and Mr Hay said current trading continued to perform satisfactorily.

The group recently acquired two Midlands-based competitors in plastics and metal finishing. Also, towards the end of 1987 Plastcraft, a West Midlands ventilation and industrial plant manufacturer, was bought.

Pre-tax result was after net interest received of £96,000 (£102,000). Tax took £373,000 (£344,000).

David Lascelles examines Equitcorp's break-up of Guinness Peat

Paddling their canoe out of troubled waters

Guinness Peat Group (GPG), the City-based financial services group, has undergone many upheavals in its time. But it may now be heading for its last. The group's new owner, Equitcorp of New Zealand, is proposing to break it up into three bits and float them separately on the London Stock Exchange in May in a complex demerger exercise.

This could well be the happiest destiny for this widely diversified company whose interests span banking, fund management, stockbroking, insurance and aircraft leasing, but whose internal logic has often proved elusive.

But Equitcorp, with its aggressive reputation, is also having to fend off suggestions that the whole exercise is intended to enable it to dispose of the best bits and realise much-needed cash.

Last year, Equitcorp - headed by Mr Allan Hawkins - bought 61 per cent of GPG and in the process ousted Mr Alastair Morton, the tough-minded chief executive who rescued it from near-failure in 1982 and tried to hammer it into a coherent group. The other major shareholders are Mr Robert Maxwell, the publisher, with 14.5 per cent, and Lord Kelvin, the founder, with 5.4 per cent.

Equitcorp proposes to divide GPG into three parts. The first will consist of Guinness Mahon, the merchant bank with its related investment management

activities. The second will be Fenchurch, the insurance broking firm, and the third will consist of GPG's offshore activities, including its fund management and personal benefits operations in the US, and its 21.4 per cent stake in Guinness Peat Aviation.

According to Mr Geoffrey Bell, the merchant banker and economist brought in by Equitcorp to be the group's executive deputy chairman, the demerger will allow the separate parts to "paddle their own canoes", and perform much more effectively as independent entities, and link effort and reward more closely through share option schemes.

There will also be substantial savings through the reduction of central costs amounting to £2m, some of which are duplicated in the subsidiaries.

In his view, there is insufficient synergy between the various parts of the group to justify keeping them together, and he has already embarked on a major cost-cutting exercise which has included cancelling subscriptions to the opera and may extend to redundancies.

But Equitcorp's motives have been questioned by other merchant bankers and analysts who say that the New Zealand group incurred excessive financing costs to buy its GPG stake, and is now embarking on a classic asset stripping exercise.

They point to its losses in last October's market crash, and its



Alastair Morton - very busy with the Channel tunnel

But even if Equitcorp does intend to sell a portion of its shares in the new entities, it is unlikely to realise a profit unless there is a major market upturn in the near future.

Equitcorp bid 115p for GPG shares last October. Recently they have been trading in the low 80s. According to various calculations that have been made by securities analysts at BZW and Morgan Grenfell, the aggregate value of the three new shares is likely to be 85-100p. This represents an increase of about 20 per cent, but would still not be enough to bring Equitcorp a profit.

The demerger would, however, give Equitcorp the option of reducing its stake in individual parts of the group if it wished, and in that respect, the break-up gives it greater flexibility.

However, part of the problem is that market perceptions of the value of the GPG components are not currently very strong. Guinness Mahon has been through a troubled period when it has lost senior staff, and its profit potential does not look exceptional.

"There's not much hidden value there", says a merchant banker who points out that the mystique which once attached to accepting houses like Guinness Mahon has long gone. Mr Bell, however, says he intends to develop the bank, particularly on the private banking side, drawing on his close business connections

with Latin America. Although Fenchurch has been successful, the whole UK insurance broking sector is under intense competitive pressure at the moment, and the market ascribes no special value to it. Potentially the most intractive part of the business is the offshore group, but the bulk of its earnings is in US dollars which creates a serious currency risk.

There has even been speculation that Mr Morton, who is now running Eurotunnel, might himself launch a bid for GPG's parts when they float. But he laughs at the suggestion. "I'm very busy with the Channel Tunnel," he says.

Mr Hunt expects to have the demerger details ready by April 26, for completion in late May. Equitcorp has obtained Inland Revenue clearance for the exercise, and is supplying the Stock Exchange with information for the new listings.

Mr Bell has also been visiting GPG's bankers to explain the proposals and renegotiate the covenants on its financing lines. The actual demerger will be accomplished by paying GPG shareholders a dividend in the form of shares in the new companies. One unexpected benefit was the Chancellor's decision to abolish capital duty in his Budget. This will save GPG about £5m, estimates Mr Bell, which is enough to pay for nearly all the demerger costs.

BOARD MEETINGS

Company	Date
Advent	Apr 14
Canal	Apr 28
Castle Communications	Mar 29
ICI Chemicals	May 3
Waste Partners	Apr 20
Boydell Ltd	Apr 17
British Steel	Apr 18
Granville TV	Apr 21
Kay Robinson & Gardner	Apr 19
ICI Chemicals	Apr 13
New London Properties	Apr 14
Plaxton	Apr 14
Rayson	Mar 29
Robur	Apr 8
Thames Holdings	Apr 11
Waco	Apr 11

GRANVILLE

SPONSORED SECURITIES

ISIN	Company	Price	Change	Yield	P/E
0007	Asst. Brit. Ind. Dev.	105	-	8.9	4.7
0572	Asst. Brit. Ind. Dev.	195	-	10.0	5.1
700	Aviation and Finance	28	-	-	-
0524	BBS Design Group (USM)	55	0	2.1	3.7
21104	Barton Group	113	-	7.7	27.9
7983	Brix Technology	138	0	4.7	3.4
910	CCI Group (USM)	260	0	11.5	4.4
1625	CDI Group 11% Corp Pref	130	-	15.7	22.1
14529	Carborundum (US)	138	2	5.4	4.2
707	Carborundum 7.5% Pref	101	0	10.3	10.2
3675	George Blair	210	-	3.7	1.8
4015	Hisco	43	-	4.3	1.5
9374	Jackson Group	90	-	3.4	3.8
26044	Mallinor N.V. (USM)	334	-	10.4	3.1
428	Robert Lemire	42	-	0	1.5
5580	Scriven	120	0	5.5	4.4
5625	Torday & Carlisle	176	-	6.6	3.3
2840	Trevelyan Holdings (USM)	46	-	2.7	4.2
6185	W. S. Yates	285	-	16.6	6.3

Securities designated (IS) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of FIMBRA.

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1 Lovat Lane, London EC3R 9JF
Telephone 01-621 1212
Member of FIMBRA

Granville Davies Coleman Limited
6 Lovat Lane, London EC3R 9JF
Telephone 01-621 1212
Member of the Stock Exchange

Ente Nazionale per l'Energia Elettrica (ENEL)

£100,000,000

Guaranteed Floating Rate Notes 1993
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The Republic of Italy

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the three month period 24th March, 1988 to 24th June, 1988, has been fixed at 8 1/2% per cent. per annum. Coupon No. 18 will therefore be payable at \$561.65 per coupon from 24th June, 1988.

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UK COMPANY NEWS

UniChem bid battle heats up

By Fiona Thompson

THE BID battle between UniChem and MacCarthy heightened yesterday as Mr Peter Dodd, chief executive of UniChem, accused MacCarthy of a "deliberate and throwing exercise".

Mr Dodd's comment was in response to a statement issued by MacCarthy, the quoted headline group which is offering \$65m for pharmaceutical wholesaler UniChem, claiming that UniChem, in its defence document, has overstated its 1987 and 1988 profits by £2.7m and £3.1m respectively.

Mr Nicholas Ward, chairman and chief executive of MacCarthy, said yesterday that if UniChem had been a quoted company - which it plans to become in 1990 - it would have reported pre-tax profits for 1987 of £5.1m, rather than £7.8m, and would have forecast profits for 1988 of £8.8m, not £12m as stated in the defence document.

The board of UniChem has misled its members by overstating the true value of the society and thereby understating the attractions of MacCarthy's proposed offer.

Mr Dodd responded that the

MacCarthy statement was at best fallacious and probably willfully misleading. It was a deliberate exercise to cover up for failing to get support for its bid.

MacCarthy said a report it commissioned on UniChem's defence document from Price Waterhouse had identified three areas in which UniChem's accounting practices have enabled it to significantly overstate profits.

First, UniChem has re-designated some of its customer sales-related discounts as dividends taken below the tax line. These discounts, MacCarthy claims, are "clearly a cost of sales and should be taken above the tax line".

Second, MacCarthy says that UniChem should have charged up the £4m costs of its Uni-Bond sales incentive scheme against the profit and loss account, instead of directly to reserves.

Third, UniChem failed to provide for the costs of certain customer discounts outstanding at year end but relating to sales made in that year - thereby overstating profits if sales were growing.

Gaskell Broadloom rises 14%

Gaskell Broadloom, maker of carpets and floorcoverings, lifted 1987 pre-tax profits by 14 per cent from £1.32m to £1.51m, on turnover ahead 13 per cent at £19.44m.

The company said that with its markets buoyant, this year had started well. Provided these conditions continued, it had an opportunity to maintain the growth in turnover and profits.

Earnings per 20p share rose to 20.3p (17.8p) and the dividend is lifted to 8.5p (8p) with a proposed final of 4.4p.

Asset Trust down

Reduced pre-tax profits of £384,048 were announced by Asset Trust, fund manager, for 1987, compared with a previous £1.04m.

The result however, was after an exceptional £888,161 debit arising from the year-end valuation of shares acquired as a result of certain underwriting commitments.

There is an unchanged final dividend of 2p, which lifts the total for the year to 3.5p (3p).

Davies & Metcalfe

Davies & Metcalfe reported pre-tax profits of £319,894 for 1987 compared with losses of £632,857 in 1986.

A payment of 1.75p net is being made for a total of 2.38p (0.63p). Stated earnings per 10p share were 9.5p against losses of 11.5p.

Tax was £183,175 (£13,734).

FT Share Service

The following securities were added to the Share Information Service in Saturday's edition:

Consolidated TVX Mining Corporation (section: Canadian).

Copysure (Industrial).

Dorma-Lock Medical Corp. (American).

Goodman Fielder Wattle (Food).

Shanks & McEwan (Industrial).

Titon Holdings (Industrial).

Richard Tomkins looks at one of the least understood companies on the market

IMI - a product of its history

IMI, the one-time Imperial Metal Industries, is a hard company to get to know: some would say, still harder to grow to love.

At a distance an unglamorous Birmingham metal-basher, it appears on closer inspection to be a bizarre rag-bag of disparate manufacturing activities. Where the observer asks, is the logic in a company making pneumatic systems, soda fountains, rocket motors, hot water tanks and bullets?

After last week's announcement that pre-tax profits for 1987 had exceeded 25 per cent for the fifth year running - from £73.3m to £92.3m - the question requires an answer: IMI, too, is ready to give it, for with a capitalisation of just over £600m, the company is among the least understood of its size on the market.

One needs a sense of history to appreciate IMI. Its roots lie in a company called Pursall and Phillips, a small manufacturer of percussion caps for muzzle-loading guns in the middle of the last century.

Originally sited in the centre of Birmingham, this company was obliged by the city fathers to move its factory three miles north to Witton. IMI's present headquarters, after a massive explosion in 1869 killed 19 of its 70 employees and devastated surrounding property.

It was then that a young Scottish entrepreneur called George Kynoch took control and exploited the opportunities for expansion on the new site. Over the next 21 years, the re-named Kynoch & Co grew to become Britain's second largest ammunition manufacturer.

There are many more chapters to IMI's history: Kynoch, after merging with Nobel Explosives to form Nobel Industries, was to become one of the four founders of Imperial Chemical Industries

in 1926 before being floated off again in its present guise 19 years ago.

But the significance of its early development is that ammunition requires cartridge cases and cartridge cases need brass and copper. Kynoch's capacity for copper and brass production far exceeded internal demand, so it started finding other applications for its metals output.

Today, nearly everything IMI makes can be traced back to that early diversification. Cold drink dispensers, for example, are built around heat exchangers, which are basically radiators, which are made from copper strip. Pneumatic systems use brass fittings.

Mr Gary Allen, the company's 42-year-old managing director and an IMI man all his working life, accepts that the group is a product of its history rather than clear industrial logic. But it is hardly unique in that, he says, nor any the worse for it. More important is what it has done with its inheritance.

As Mr Allen recalls, the IMI that emerged from KCI in 1976 was ill-suited to the decade that lay ahead. "It was very dependent on commodity non-ferrous metals which were vulnerable to substitution by other materials, and very dependent on the UK economy. Yet there were a number of areas in which it had good products in growing markets."

"Our strategy has been to make IMI less dependent on the UK economy and turn what was essentially a materials company into a products company, to make it less dependent on non-ferrous metals and take it further and further into areas where it has a technological and product advantage."

The result after several years of fairly hectic rationalisations, disposals and acquisitions is a company employing 22,000 people in 100 subsidiaries across the



Gary Allen - an each-way bet on the economy

world with turnover last year of £861m, half of it overseas. The new face of IMI is evident to its five divisions:

Field control. IMI is one of the world's top three pneumatic manufacturers. It makes pneumatic systems and components (air is a fluid) for machines in a wide range of industries under the Morgan Martonair name. Expanded by the takeover of Martonair in 1986, this is IMI's fastest growing division and increased pre-tax profits rose from £21.7m to £39.1m last year.

Building products. UK market leader in the supply of copper-based plumbing and central heating products, this division is now expanding overseas. Pre-tax profits rose last year from £15.3m to £20.5m.

Drinks dispensers. This makes equipment under the Cornulius brand for cooling and dispensing soft drinks and beers. It is world market leader in its field and raised pre-tax profits from £13.8m to £17.2m last year.

Refined and wrought metals. A vestige of IMI's commod-

ity metals business, this division is also the world's top producer of specialist titanium alloys for the aerospace industry. Overseas competition in titanium, however, cut profits from £13.7m to £13.5m last year.

Special engineering. A euphemism for "everything else": an array of companies making copper alloy tube, heat exchangers, car and lorry radiators, coils and metals. Register rocket motors - and, of course, Eley sporting ammunition, a throw-back to IMI's past. Profits rose from £14.6m to £17.4m last year.

For the group as a whole, a five-year record of annual profits growth exceeding 25 per cent is impressive. To what extent, however, is it simply recovery from recession? And is IMI in danger of running out of steam?

Mr Allen says that to suggest as much is to ignore the degree to which IMI is tapping international markets in growth sectors which are highly resilient to economic downturns. Come the next recession, people will not stop drinking Coke out of IMI's dispensers, he says. And they will be all the more enthusiastic about low-cost robotics which use IMI's pneumatics.

In the shorter term, the positive cash flow that whittled IMI's gearing down from 19 per cent to

8 per cent last year has left it well placed to pursue further acquisitions. But Mr Allen also likes to emphasise the potential remaining in the existing businesses.

All but £5m of last year's profit growth came from organic growth, he says, and this year IMI plans to lift investment in plant and equipment from £38m to £50m - twice the level of depreciation - to make these operations more efficient.

This, he explains, is an each-way bet on the economy. "If demand slows down and competition becomes more intense, then we will be able to compete from a lower cost base. But if demand keeps going upwards, we will be in a much better position to provide the capacity to meet it."

Last year earnings growth was held back to 12 per cent by a sharply rising tax charge and dilution from the Martonair acquisition. On brokers' forecasts of £107m in the current year net of any acquisitions, earnings growth of 15 per cent is in sight.

That suggests that IMI is still proving no more than a stilled yawn from the market. Yet the company does have a fan club in the City, and at least one enthusiast, Mr Ewan Fraser of stockbrokers James Capel, believes it is underrated.

Magnetic Materials falls

MAJOR reorganisation at its Neosid subsidiary resulted in a sharp fall in pre-tax profits at Magnetic Materials Group, USM - quoted maker of magnetic and plastics components.

In the six months to end December, profits dropped from £806,000 to £248,000 on turnover of £7.13m (£7.36m). Earnings per share declined from 3.4p to 1p, but the interim dividend is held at 0.5p.

Mr R.L. Michaelis, chairman, said Neosid's loss was primarily incurred during the second quarter and the company has shown a

progressive and encouraging improvement for the last three months with a small profit in February.

Full reorganisation was not anticipated until the end of 1988 and not until then would full profitability and the benefits be achieved, he said.

The Neosid reorganisation has involved £2.5m of capital expenditure and the rationalisation of its activities from five sites on to one. Once completed the measures taken will significantly increase capacity, efficiency and management control.

Peek ahead to £2.5m

Peek increased its pre-tax profits from £1.48m to £2.51m in 1987. Turnover was ahead from £10.52m to £14.72m. The group is paying its first dividend - 0.3p - for more than a decade.

The results of this international electronics and technology group have been re-stated to include those of the Sarasota Technology group, acquired last March. Results of Liverpool

Grain Storage and Transit Company have been omitted as this business has been disposed of in consequence of being too dissimilar to ongoing business.

The directors said Peek had entered the new year with a strong balance sheet and a good order book.

Stated earnings per 3p share were 1.6p compared with 1.3p.

FT Share Service

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Consolidated TVX Mining Corporation (section: Canadian).

Copysure (Industrial).

Dorma-Lock Medical Corp. (American).

Goodman Fielder Wattle (Food).

Shanks & McEwan (Industrial).

Titon Holdings (Industrial).

COMPANY NEWS IN BRIEF

SOLE OF MAN Steam Packet Co. (shipping, ship management and ancillary activities): Pre-tax profits for 1987 rose to £2.55m (£455,000) on turnover £18.38m (£12.57m). Earnings per share before extraordinary items and tax 65p (12.1p). Dividend 4p (nil).

BERKELEY GREEN and Partners, USM-quoted structural and civil engineering consultancy, is to buy Peter Roberts Associates, a Colchester-based engineering

consultancy, for up to £1.1m, depending on Roberts' profits performance and other more than trebled pre-tax profits for 1987 to £205,000 (£22,000). This compares with £189,000 last year. Turnover rose 15 per cent from \$44.95m to \$51.83m and earnings moved up from 0.79p to 1.04p.

MACALAN-GLENLIVET, Dundee-based malt whisky distiller, lifted pre-tax profits by 37 per cent to £1.56m in 1987, against a previous £1.14m. A final dividend of 3.25p (2.84p) is recommended, for a 4.42p (3.84p) total. Earnings improved from 16.92p to 22.27p per share after tax of £211,000 (£140,000).

COYAIN GROUP has acquired, through its US and Canadian subsidiaries, the interests of CBE Cement-Corporation (US) and CBE Cement Canada to create joint operations for the manufacture and sale of concrete railway sleepers in North America. Total consideration was US\$ 5.8m (£1.5m).

EDENDERRY BROOKES: On the first closing date of its offer acceptances had been received in respect of 362,230 Postfield ordinary (92.05 per cent). Further acceptances in respect of 4,250 shares have yet to be validated. The offer has been declared unconditional.

BANKERS INVESTMENT Trust has declared a first interim dividend of 0.42p per ordinary share in respect of the year to October 31 1988. A half year dividend of 1.75p on the 3.5% cumulative preference stock will also be paid.

STODDARD HOLDINGS and Sekers' Interests is a merger between the two companies, both chaired by Mr Gordon Hay, Noble Grossart advised Stoddard and Charterhouse acted as advisers to Sekers.

EDENDERRY GROUP: At the close of the offer on March 23, 13.7m (64.4 per cent) of the offer shares had been taken up by shareholders, of which 4.3m (30.2 per cent) were taken up by institutional investors in the Republic of Ireland and the UK. The acquisition of Lenton Leisure is expected to be completed on March 28.

GARDIFF PROPERTY is to purchase a freehold property in Easting for £425,000. The property comprises 8,500 sq ft of unmodernised office and light industrial space.

U.S.C. INVESTMENT Trust: Net asset value per 25p share 151.85p (154.12p) at end 1987. Gross income £341,467 (£348,445) and earnings per share 8.94p (10.51p). Final dividend 6p for total of 10p (8.35p).

LATEX GROUP: the diversified engineering company, is ending its involvement in the US cutting tool industry with the disposal of New York Twist Drill for \$7m (£3.8m) in cash. The subsidiary has been sold to Regal-Beloit Corporation, a supplier of cutting tools and power transmission components.

YOUGHAL CARPETS (Holding): County Cork-based carpet maker, supplier and driver more than trebled pre-tax profits for 1987 to £205,000 (£22,000). This compares with £189,000 last year. Turnover rose 15 per cent from \$44.95m to \$51.83m and earnings moved up from 0.79p to 1.04p.

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25 March, 1988

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28th March, 1988

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	Mar. 25	Mar. 26	Mar. 27	Mar. 28	Mar. 29	Mar. 30	Mar. 31	1987/88	Since Completion
								High	Low
Government Bond	90.34	90.34	90.32	90.26	90.14	90.30	90.32	85.73	127.4
10 Year Interest	97.61	97.52	97.72	97.52	97.26	97.20	99.12	90.23	105.4
Oil Index	1408.3	1421.4	1459.6	1453.2	1452.7	1476.4	1726.2	1232.0	1726.2
Gold Index	235.2	242.4	244.9	249.0	242.5	240.9	497.3	234.0	734.7
FT-All-Share	939.4	918.2	941.7	944.6	945.7	931.4	1238.5	784.81	1238.5
FT-SE 100	1767.9	1762.7	1842.7	1835.4	1841.1	1866.5	2443.4	1565.2	2443.4

FINANCIAL TIMES SURVEY

Innovations abound in all sectors of retailing technology, with the result that businesses which do not remain technologically-aware, amid strong competitive pressures, will eventually be forced into the sidelines in an increasingly electronic marketplace, says Alan Cane.

The store of tomorrow

AN ARRAY of powerful technologies exists today to help create "the store of tomorrow," yet retailers are showing a healthy reluctance to embrace too large a slice of the electronic future too rapidly.

The overriding impression is of an industry moving forward steadily but cautiously, testing each innovation carefully for benefit as it goes.

"Retailers are still struggling with the problems of the 1970s rather than those of the 1980s," according to Mr Austin Bendall, a consultant with Coopers & Lybrand, specialising in retailing automation. "For a long time, it was not obvious to them that they should be investing in technology."

"They are extremely sensitive about any developments at the point of sale which could affect their customers," according to Dr Elizabeth Mandeville, research manager for the Retail Management Development Programme (RMDP). "Retailers will not rush to innovate there without very careful testing."

Innovation, nevertheless, is being carried forward cautiously on three broad fronts: "electronic money", the "electronic shop window" and "the computer-integrated store".

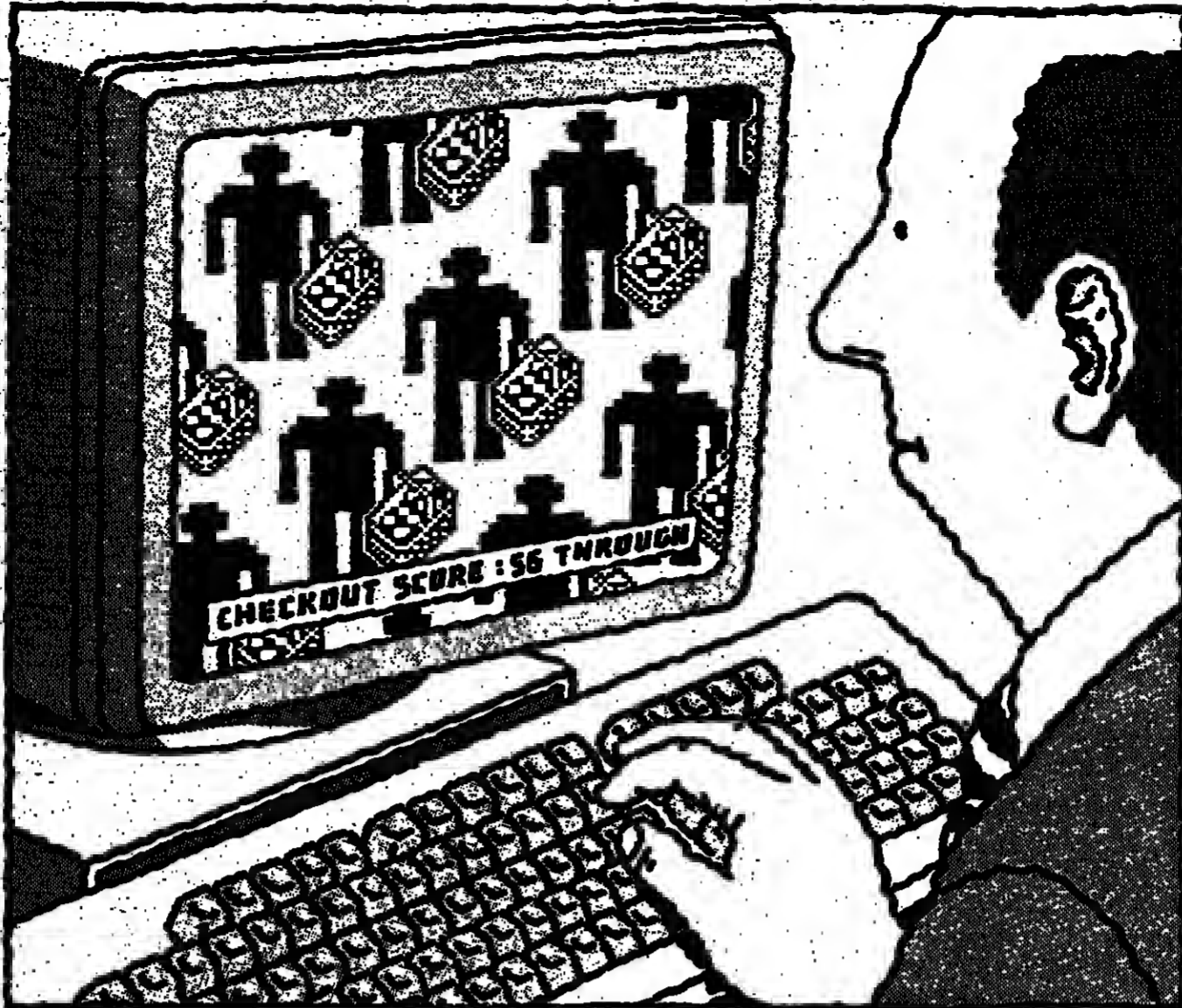
Electronic money means, chiefly, electronic funds transfer at the point of sale (Eftpos) and the smart card.

Eftpos is a sleepy leopards whose spots have changed substantially over the past few years. Originally a technologists' dream involving the instantaneous movement of money from buyer to seller at the moment of sale, it has been refined over the years to match the business needs of banks and retailers, yet it still lacks charisma.

Dr Mandeville of the RMDP says research suggests that consumers are not so much hostile to Eftpos as apathetic. Mr Simon Brodie of Coopers & Lybrand agrees, arguing that in the UK "it lacks a champion and we are probably doomed to a multiplicity of solutions."

And that would seem to be true for Eftpos worldwide. A report from Post News, a UK-based market research company gloomily suggested last year that Eftpos was taking so many different directions in different parts of the world that there was little chance of the equipment involved ever being made in sufficient volume for prices to become attractively low.

In the UK, however, while banks and building societies are



Playing the retailing technology game: the stakes and risks are high

Retailing Technology

pressing ahead with their own Eftpos trials, the focus of interest has become the progress of the national scheme now being implemented by Eftpos UK, a company set up by 11 clearing banks and (so far) three building societies, to manage the scheme.

Brian Allison, Eftpos UK managing director, says that developments are on schedule: "We are firing on every conceivable cylinder."

Already a number of banks have taken delivery of special software enabling them to connect into the national system.

According to Mr Allison, the inaugural service, designed to test every aspect of the national system, will now go live in the

spring of 1989.

Major worries for all organisations developing electronic money transmission systems are the security and integrity of the transmission mechanism. The "smart card", developed in France, and promoted there and elsewhere as an electronic cheque book, offers one solution to the problem of less than perfect telecommunications systems.

Containing a complete micro-computer within dimensions no greater than those of a conventional credit card, the smart card can be "charged" with electronic credit which is depleted as the card is used. It can function, furthermore, without the need for a counter terminal connected

on-line to a central computer. It has adequate computing power and memory to carry out calculations to prove it is a valid card and to record every transaction for which it is used.

Recently Visa, the credit card organisation, announced it is carrying out trials with the "super smart card", a smart card which incorporates a keyboard and minute liquid crystal display, turning it into a complete portable computer. If successful, the trials could point the way to the Visa card of the future.

Smart cards are being tested in the US chiefly as security devices, allowing entrance to restricted premises. In the UK, while banks are following their

development closely, only Midland Bank among the clearers has tried a small scale experiment in their use as electronic money.

The electronic shop window embraces all the various uses of video in retailing. Some are apparently quite trivial yet can have powerful marketing significance. The "magic mirror" for example, pioneered in the US and involving video techniques to display an image of the customer upon which can be superimposed clothes, jewellery, make-up and so on.

Teleshopping is another example. The idea of shopping by telephone after sitting through goods displayed on a television screen

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Graphics: Bob Hutchinson; illustration, page one: Etta Nadler.	

has always proved better in theory than in practice.

Now some see it as the "shopping machine" the logical replacement for today's multi-order systems dependent on "Nellie down the corridor" selling to her friends and relations.

By the end of the year, a study being carried out in the UK by management consultants Coopers & Lybrand in conjunction with the design consultancy Fitz and the Oxford Institute of Retail Management at Templeton College should give indications of the potential for shopping at home using telecommunications technology.

In the meantime, tele-shopping trials have chiefly been designed for the benefit of the aged and infirm. The most recent, the Asda Teleshop, is based in London's Dockland's area, aims to enable the elderly and disabled to make purchases, using simple computer equipment based in day centres, sheltered housing and community centres.

The "computer integrated store" represents a high point in retail automation. It implies the use of electronic point of sale systems, coupled to the electronic transmission of trading documentation between retailers, wholesalers and manufacturers.

Research carried out by management consultants, Arthur Andersen, discovered: "Customer service, price image, niche marketing, focusing on local needs and the effective use of information are key elements in achieving competitive advantage."

"If it were possible to revert to the ways of the past, retailers would gain significant competitive edge through being able to offer improved customer services and to target specific markets," says the consultancy - a return to traditional values, in fact.

In a world where new competitive pressures and economies of scale militate against them, "the store of the future will represent a step in to the past. But to achieve this cost-effectively, it will be necessary to employ advanced technology to simplify operations by sorting through unnecessary information, satisfying individual customers with targeted marketing and unique customer services - and restoring responsibility to the store manager."

Eftpos, the computer in the cash till, connected to the computer in the store, connected - in turn -

to the computer at headquarters, is very much the key to the whole process.

ICL, the UK-based mainframe computer manufacturer, which claims a leadership position in the UK Eftpos market has published figures suggesting that "the penetration of Eftpos equipment in the UK retail sector will be spectacular, with large and medium-sized retail organisations accounting for the bulk of this growth."

It suggests that the total population of 68,000 Eftpos terminals installed in 1986 will grow to 410,000 by 1989. All the major mainframe computer manufacturers - IBM, ICL, DEC, NCR and Unisys are now offering equipment for retail automation.

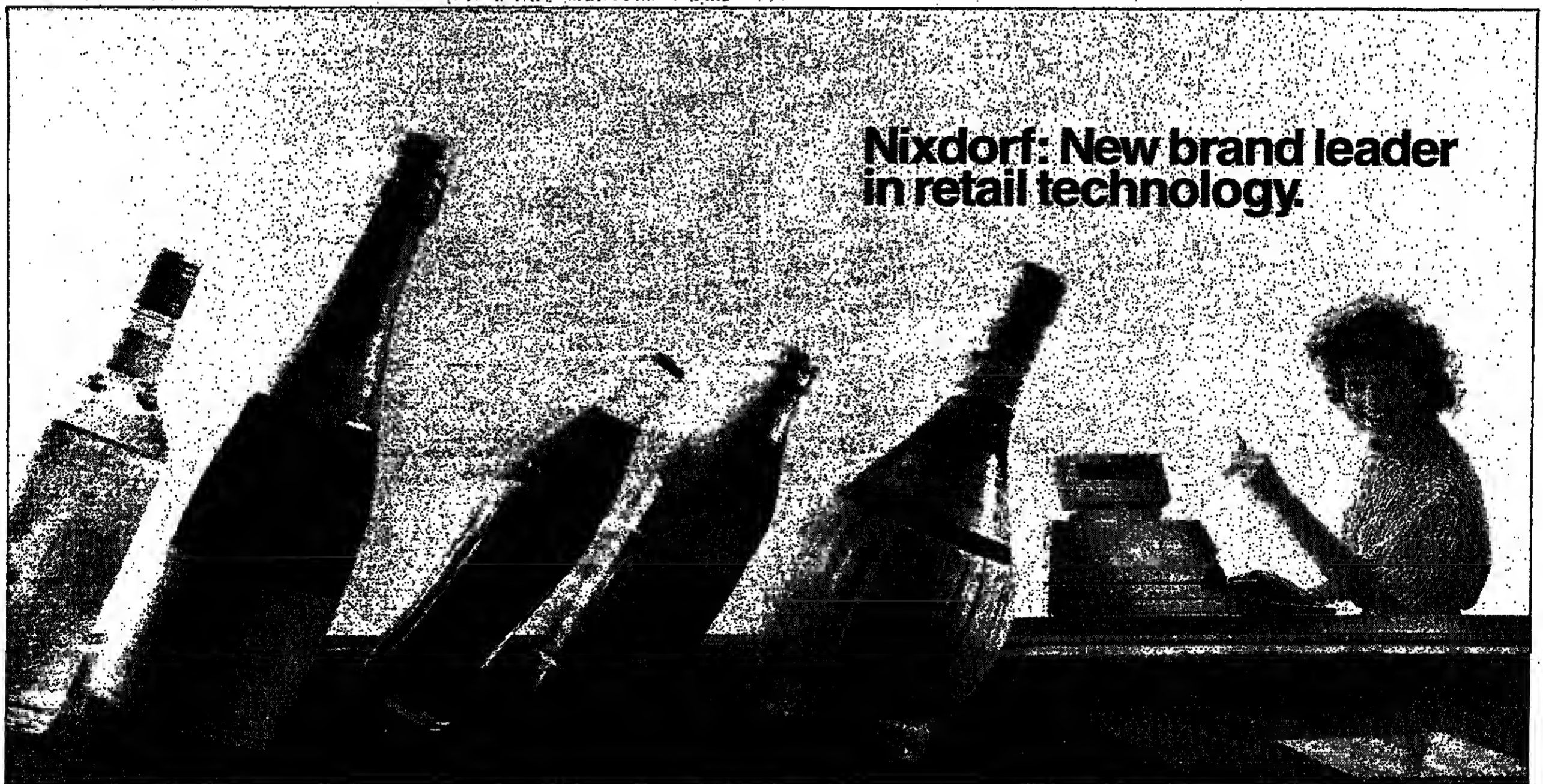
Dr Mandeville of the RMDP has identified a trend among these vendors to provide "one-stop shopping" for their customers. Conventionally, retailers purchased a mainframe from one supplier, Eftpos systems from another and the communications and software to put the whole system together from others.

The resulting confusion of sometimes incompatible equipment had a powerful effect in slowing down the speed with which systems were implemented. Now alliances are being formed between suppliers so that complete systems can be offered.

DEC, for example has agreements with Nokia and Thorn-EMI for the supply of counter terminals and with a host of software suppliers for the computer programs to link the whole system together.

Such alliances should remove at least one of the retailers' traditional objections to investing in technology. Indeed, in areas like Eftpos and Eftpos, they are today likely to be wholehearted converts with only the cost of the equipment and the evidence of return on investment standing between them and enthusiastic adoption.

On both counts, time and technology is on their side. The cost of retailing equipment seems set to fall dramatically with advances in semiconductors, especially on the memory side. Meanwhile, a growing body of evidence, much of it outlined in this survey, indicates that the retailer who does not stay technologically-aware will be condemned to the sidelines in an increasingly electronic marketplace.



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RETAILING TECHNOLOGY 3

Machines now being developed will be cheaper and more reliable

Scanners: trailing the US

THE FIRST supermarket check-out with a bar code scanner was a Marsh store in Troy, Ohio, in 1964. The scanner was developed off in the US during the late 1970s and early 1980s, and more than half of American checkout lanes now use scanners.

The UK and Europe were about five years behind the US with the adoption of scanners. The first British installation was at a Keymarkets supermarket in Spalding in 1979, and the total number of UK stores with at least one scanning lane passed 1,000 late last year.

But the proportion of goods scanned at the point of sale is still only six per cent of retail volume. More than 99 per cent of grocery items now carry a bar code - a series of lines and spaces of varying width which represent the 13-digit (one-dimensional) number assigned to the item. The code is an arbitrary reference number and is not intended to contain information about the product such as its country of manufacture or its recommended price.

In the UK, codes are administered by the Article Numbering Association (ANA) in accordance with the International EAN system. A scanner "reads" the code by passing a small beam of light across it and detecting the distribution of bars and spaces reflected back. A microprocessor converts this pattern into a number, which is instantly transmitted to the store's computer. The product's price and description are then shown on the checkout display panel and simultaneously printed on the shopper's till receipt.

The cheapest hand-held scanners are light pens costing less than £200, which have to be moved physically across the bar code.

Faster and more accurate hand-held scanners incorporate a system for moving a laser beam automatically across the code, so the operator only has to point the scanner in the right general direction to obtain a reading. These cost about £1,000.

Hand-held scanners are usually adequate for department stores and specialist shops where the assistants do not handle large

volumes of goods.

However, supermarkets require fixed "flat bed" scanners costing several thousand pounds. These read the code accurately regardless of the angle and direction at which the goods are moved across the scanning window.

All supermarket scanners incorporate a low-power helium-neon gas laser. Its light is broken up - either by a rotating prism and mirrors or by a holographic image - into a series of beams

'Shop of the Future'

A fully operational "Shop of the Future" incorporating the latest retailing systems in the UK will be a key feature at the Computers in Retail and Retail Technology Show, (CIR+RT '88) at the Brighton Metropole Exhibition Centre, from March 29-31.

which sweep rapidly across the scanning window at varying angles.

The IBM 3987 scanner, developed in the late 1970s, was claimed to be the first commercial application of holography, the technique of using three-dimensional images.

Further, the Japanese company which supplies scanners for the check-out terminals made in the UK by ICL, also adopted holography. But Spectra-Physics of the US, which makes scanners for Aldi, Sainsbury, J. Sainsbury's and other terminal manufacturers, uses a prism and mirrors to split the laser beam, and so does NCR, which makes its own scanners.

A dozen companies sell retail scanning terminals. The UK market leader is ICL, which is supplying Sainsbury's. Jeremy Grindie, the Sainsbury's director responsible for new technology, says his company has so far spent more than £40m on its scanning programme; 157 of the 280 supermarkets in the chain are now scanning and the programme will be completed by 1990.

Tecco has lagged behind its arch-rival Sainsbury's in the introduction of scanning, but at the beginning of this year it placed a £5m order with Wincor and specialist shops where the assistants do not handle large

180 Tesco stores.

The leading US manufacturers of retail systems have had less success in the UK scanning market than on their home territory. IBM's largest UK orders have come from Asda and Argyll Stores (Safeway).

NCE has found the UK particularly disappointing in contrast to Continental Europe where its scanners have sold well.

Manufacturers claim that modern scanners will read a bar code successfully on the first pass 98 per cent of the time - though my experience as a regular shopper at a scanning supermarket suggests that in practice the proportion is considerably lower. Although food companies are improving the clarity of the bar codes on their packages, soft and irregularly shaped items such as crisp packets are still troublesome.

At the moment, a particular Easter egg is causing confusion because it contains several chocolate bars with codes on their individual wrappers, which can be seen through the outer package. Supermarket scanners are reading both the code on the outside of the Easter egg and the codes on the chocolate bars inside.

Jeremy Grindie says Sainsbury's is finding its scanning systems extremely reliable. There have been almost no store-wide failures of the entire system, and of the 4,000 individual scanning lanes the number out of action on any given morning is almost always in single figures.

The basic technology of retail scanning is now well established, and the most significant advances are taking place, out-

sight of the shopper, in the computer systems which process information from the checkout terminals for financial and stock control.

In terms of the scanner itself, the main trend is towards smaller units. Manufacturers are developing "albumine" scanners for the European market where check-out assistants are normally seated - in contrast to US supermarkets where assistants stand and bulky units are therefore more acceptable.

Spectra-Physics has recently designed a miniature fixed laser scanner to replace hand-held scanners in non-food stores. This "freehand scanner" can be mounted horizontally or vertically wherever is most convenient on the sales counter.

It is now being tested at Bloomington department stores in the US and is likely to be introduced in Europe around the end of this year.

According to Mr Jay Harter, international marketing manager of Spectra-Physics, the next major advance in scanning technology will be the replacement of today's gas lasers by solid-state semiconductor lasers.

This is not possible yet because at present semiconductor lasers do not emit light of the correct wavelength to read printed bar codes efficiently.

But Mr Harter says it is only a matter of time before a suitable semiconductor laser is developed, and then retail scanners will become even smaller, cheaper and more reliable.

Clive Cookson

Computer/communications systems

Gaining a market edge

COMPUTER AND communications systems are being installed which will radically alter both the customer's and the retailer's view of shopping.

Electronic funds transfer (EFT) networks, "intelligent" credit (or debit) cards and "pro-active" retailing all promise to change the face of the High Street (or out-of-town superstore) beyond recognition.

Unicom, which is organising an international seminar on Information Technology in Retailing in London next month, estimates that as much as \$2,300m was spent on all types of technology last year by retail organisations to both update their operations and gain a market edge.

Software is a key component in all these developments. It underpins the Eftpos networks to effectively move money around. It provides systems to monitor inventory levels. And, increasingly, software systems are being used to model and plan retail operations.

It is this area of planning where some of the most exciting developments are taking place. "Typically, large retail groups have applied computer technology to accounts first."

Then they have moved into computerised distribution, and then finally into point-of-sale systems," says Michael Kahn, sales and marketing manager of the Thorn EMI software subsidiary Software Sciences. "But what is lacking is integration."

Mr Kahn argues that the role of retailing has changed from a reactive one to a 'pro-active one'. Retailers in the 1980s must not

only make sure the goods are on the shelves, but also make sure they are the right goods and that they are there at the right time.

In the same way that financial institutions such as banks and insurance companies have done, retailers have recognised that information technology can not only help them operationally, but also in gaining a marketing edge.

Eftpos software is the key development area

"Very few retailers actually plan for profit - the very thing that they are in business to do, and they don't do it," Mr Kahn says. The way to improve profitability, he believes, is to plan the retail operation from the beginning, with computer technology in a crucial, central role.

"We stood back and thought about what components are needed to make profit and how we could use information captured at the point of sale to go through to a review of the operation once it is in place," Mr Kahn says. Software Sciences uses a combination of existing software tools, like the PCS decision-support system marketed by its sister company Thorn EMI Computer Software, and more innovative ones - such as knowledge-based or expert system tools.

The systems are sold under the umbrella product name of Merchant 38 as a complete service embracing both consultancy and

technology. The aim is to provide a unique solution for each individual business.

Datasolve, another sister company to Software Sciences in the Thorn EMI group, is working on applying scientific modelling to retail operations. Last year it bought the marketing rights to Murco, a package developed by John Murdoch of the Cranfield Institute of Technology.

Murco applies a set of mathematical forecasting techniques to inventory data so that optimum stock levels can be worked out. Mike Steel of Datasolve says that the techniques are flexible enough to take into account many different variables, such as seasonal demand for goods and advertising and promotional campaign factors into account.

Murco is already being used by Coca Cola/Schweppes Beverages to optimise its buffer stocks - those levels of inventory which must be held at various stages in the distribution chain.

"Areas such as distribution control and pallet-level optimisation are becoming increasingly important to retail organisations because there is a lot of money tied up in them," Mr Steel says. Murco takes the historical data from stock data files and tracks the demand profile using a formula developed by Mr Murdoch over a period of 20 years.

Mr Murdoch is an acknowledged expert in the field of stock forecasting and has evolved a unique method of working out the optimum level of stock in many different types of operations: from straightforward

retail operations like supermarkets to the sort of spare-parts inventory control systems used by motor manufacturers.

However, the role of software in the modernisation of retailing is not restricted merely to planning operations for the retailers themselves. In a few years' time, shoppers could well be carrying a piece of software around in their wallets - although they may well be unaware of the fact.

Roy Bright, managing director of the UK subsidiary of the US company Smartcard International, sees a time in the near future when the present credit or debit card will be replaced by an "intelligent" card.

"We are now seeing cards emerging with a combination of a magnetic stripe and a chip with as much as 64,000 bits. These cards can carry programs as well as data. This means that a running balance can be encoded on the card and become almost the equivalent of a miniature personal computer."

"These active cards can include a liquid crystal display (LCD) and a miniature keyboard. This offers interesting opportunities because you don't need a terminal to read it," Mr Bright says.

Smartcard International already has a version of this type of device called an Ultracard, and although it is relatively expensive compared with the traditional magnetic stripe card, the overall costs are reduced because there is no need for a special terminal to read it.

Philip Manchester

Electronic shelf labelling Supermarkets wait and see

FROM THE shopper's point of view, the next visible advance in retailing technology is likely to be the introduction of electronic labels on supermarket shelves.

A handful of shops and supermarkets in Europe and North America have recently installed what is known in the trade as "electronic shelf edge labelling." This has replaced the traditional paper or plastic labels with liquid crystal displays (LCDs) which are linked directly to the store's computer and check-out scanners.

The main advantage of electronic labelling for the retailer is that price and product information can be changed very quickly throughout a store or group of stores by entering the required changes on a central computer. New labels no longer have to be printed and physically attached to the shelves.

Two new companies have taken an early lead in marketing electronic shelf edge labels: Epsil Lanne in Europe and Telepanel in North America. Epsil Lanne is an offshoot of the French electronic components company Electronic R Paulmier, and Telepanel is a new Canadian company based in Toronto.

Their systems were developed independently and there are considerable differences between the two. The most obvious is that Epsil Lanne puts all product information on a liquid crystal display, while Telepanel looks more like a hybrid between traditional and electronic labelling: information that does not need to change, such as the product name, goes on a paper label attached to an LCD showing the current price.

Both systems draw shoppers' attention to special promotions and price cuts, and Telepanel can also display nutritional messages. However, both companies are willing to adapt their labels for particular areas.

A more fundamental difference between the systems is that Epsil Lanne labels are fixed to a low-voltage electronic track that goes round the shelves, while Telepanel has adopted a radio-controlled system. Telepanel labels are battery-powered and contain a miniature radio transmitter and receiver for communicating with the central computer.

The first large-scale Telepanel system was installed at a Loblaws supermarket in Toronto and the second is going into a Kroger store in a suburb of Dallas, Texas. The Loblaws system, which was completed last November, has about 8,000 electronic labels covering most of the supermarket's food areas.

Garth Aasen, Telepanel's marketing manager, says a survey of Loblaws shoppers showed "an extremely positive reaction."

Clive Cookson

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Creating value

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

Table with columns: Issue, Amount, Latest, 1987/88, Stock, Closing Price, % Change. Lists various fixed interest stocks and their performance.

EQUITIES

Table with columns: Issue, Amount, Latest, 1987/88, Stock, Closing Price, % Change. Lists various equity stocks and their performance.

"RIGHTS" OFFERS

Table with columns: Issue, Amount, Latest, 1987/88, Stock, Closing Price, % Change. Lists rights offers and their details.

Financial Times analysis: See key for details from items 20 to 24. Financial Times analysis of the market.

Small Business

The Financial Times proposes to publish this survey on: 22nd April 1988

For a full editorial synopsis and details of available advertisement positions, please contact:

Brett Trafford on 01-248 5116

or write to him at: Bracken House, 10 Cannon Street, London EC4P 4BY

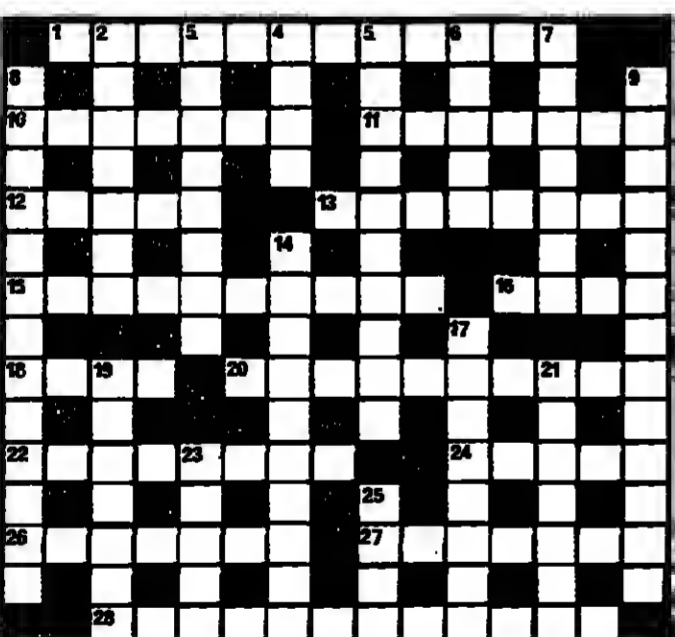


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FT CROSSWORD No.6,592 SET BY QUARK



- ACROSS: 1 Free enterprise policy F.A. realises is changing (7-5) 2 A man is on top of mathematical theory (old one) (7) 3 Firm spreads round the coastal town (8) 4 Founder of religion which could be current (4) 5 Resistance could be resulting from conflict (10) 6 Writer with money following one book (5) 7 Spread? See duff served out here (7) 8 Not particularly good number on examination with swimmer (2,5,8) 9 Fruity expression following a tanning (5,2,1,5) 10 Wood encountered in space research (10) 11 Vessel containing drink? (5) 12 Hitch in the rope used as a tool (4-3) 13 Settler could be a supporter (7) 14 Cloth (5) 15 Complement society twist (4) 16 The solution to last Saturday's prize puzzle will be published with names of winners on Saturday April 9.

AUTHORISED UNIT TRUSTS

Large table listing various unit trusts, their managers, and performance data. Columns include trust name, manager, and various financial metrics.

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service listing various British funds, foreign bonds, and rail shares with their respective prices and yields.

Table of Money Market Trust Funds and Bank Accounts listing various financial products and their current rates.

LONDON SHARE SERVICE

INDUSTRIALS (Misc.) - Contd.

Table of industrial share prices including companies like British Airways, British Petroleum, and various engineering firms. Columns include company name, price, and date.

Table of industrial share prices (continued) listing various engineering and manufacturing companies such as BHP, British Steel, and others.

Table of industrial share prices (continued) listing companies like British Airways, British Petroleum, and various engineering firms.

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INSURANCES

Table of insurance share prices including companies like British Insurance, etc.

HOTELS AND CATERERS

Table of hotel and catering share prices including companies like British Hotels, etc.

INDUSTRIALS (Misc.)

Table of industrial share prices including companies like British Airways, etc.

ENGINEERING

Table of engineering share prices including companies like British Engineering, etc.

DRAPERY AND STORES

Table of drapery and stores share prices including companies like British Drapery, etc.

BUILDING, TIMBER, ROADS

Table of building, timber, and roads share prices including companies like British Building, etc.

Table of industrial share prices (continued) listing companies like British Airways, British Petroleum, and various engineering firms.

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Table of engineering share prices including companies like British Engineering, etc.

DRAPERY AND STORES

Table of drapery and stores share prices including companies like British Drapery, etc.

BUILDING, TIMBER, ROADS

Table of building, timber, and roads share prices including companies like British Building, etc.

LONDON SHARE SERVICE

Handwritten scribble at the top center of the page.

INSURANCES - Contd

Table listing insurance companies and their share prices.

LEISURE

Table listing leisure companies such as hotels and resorts.

MOTORS, AIRCRAFT TRADES

Table listing motor and aircraft trade companies.

Components

Table listing component parts for various industries.

Garages and Distributors

Table listing garage and distributor companies.

NEWSPAPERS, PUBLISHERS

Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING

Table listing paper, printing, and advertising companies.

PAPER, PRINTING, ADVERTISING - Contd

Continuation of paper, printing, and advertising companies.

PROPERTY

Table listing property and real estate companies.

SHIPPING

Table listing shipping and maritime companies.

SHOES AND LEATHER

Table listing shoe and leather goods companies.

SOUTH AFRICANS

Table listing South African companies.

TEXTILES - Contd

Continuation of textile companies.

TOBACCO

Table listing tobacco companies.

TRUSTS, FINANCE, LAND

Table listing trusts, finance, and land companies.

TRUSTS, FINANCE, LAND - Contd

Continuation of trusts, finance, and land companies.

FINANCE, LAND, etc

Table listing various financial and land companies.

OIL AND GAS

Table listing oil and gas companies.

OIL AND GAS - Contd

Continuation of oil and gas companies.

OVERSEAS TRADERS

Table listing overseas trading companies.

PLANTATIONS

Table listing plantation companies.

MINES

Table listing mining companies.

MINES - Contd

Continuation of mining companies.

MINES - Contd

Continuation of mining companies.

THIRD MARKET

Table listing third market trading.

Notes and details regarding the third market section.

REGIONAL & IRISH STOCKS

Table listing regional and Irish stocks.

TRADITIONAL OPTIONS

Table listing traditional options and call rates.



Expansion of London college

KYLE STEWART has been awarded a \$3.5m contract to construct a new Faculty of Basic Medical Sciences at Queen Mary College, East London.

The 13,700 sq metre building is for the City and East London Confederation, which comprises three University of London colleges - Queen Mary's College, The London Hospital Medical College and St Bartholomew's Hospital Medical College.

Office project in Cambridge

SIR ROBERT McALPINE & SONS has been awarded a \$5.3m contract by Cambridge Quayside, a joint company formed by Magdalen College and Trafford Park Estates.

CONSTRUCTION CONTRACTS



The Bridge shopping centre, Portsmouth

GEOFFREY OSBORNE has won contracts since the beginning of the year together worth over £1m.

At Portsmouth, construction has started on a retail scheme for Portsea Island Co-op. The company is undertaking the \$4.15m building main contract and will be awarded the £2m fitting out contract.

To be known as The Bridge Shopping Centre, this new development is situated on a 6 acre site in the heart of Portsmouth and includes a Co-op Superstore, a freestanding centre and 22 retail units.

Osborne's refurbishment division is undertaking a \$205,000 contract at 16 Grosvenor Place, SW1, for Lynton Property & Reversionary.

The civil engineering division is constructing a 40 metres x 40 metres x 5 metres concrete reservoir for Southern Water Authority at Weeks Down, Winchester.

Construction involves precast bridge beams laid on situ concrete abutments within a temporary piled cofferdam.

At Borough Road, Seacombe, Wallasey, Mowlem is building 40 sheltered flats with two wardens' houses under a £1.1m contract from Maritime Housing Association.

Tottenham leisure centre

Tottenham is to get a multi-million pound sports, cultural and leisure centre close to the Broadwater Farm estate.

M.J. GLEESON has started work on the £13m construction of the complex at Tottenham Green, for the London Borough of Haringey. It will take 29 months to complete.

The two-three-storey multi-purpose complex will house two swimming pools, a sports hall, four squash courts, weight training room, sauna, steam bath, sunbeds, and a library.

Externally, Gleeson is to undertake extensive landscaping with brick paving, accompanied by shrub-beds and the planting of trees.

Pumping station in north west

Five contracts together worth more than \$5.5m have been won by MOWLEM NORTH WEST, Bromborough, Merseyside.

The largest, worth \$2.7m, is a pumping station complex for North West Water which forms part of the \$170m Mersey Estuary pollution alleviation scheme.

Further south, at Stanlow, near Chester, the company has been awarded a \$350,000 contract by Shell Research for alterations to a single-storey building to form a new information library.

BHS store in Walthamstow

Three contracts, worth a total of nearly \$6m, have been awarded to MYTON, a member of the Taylor Woodrow Group.

The second, valued at £1.5m, has been awarded by Simmons and Simmons, and involves fitting out a seven-storey office block in Wilson Street, London EC2.

The third, valued at £1.5m, has been awarded by Lancaster Holdings and involves the demolition of buildings and construction of a six-storey office building at 15-20 York Buildings, London, WC1.

£10 batch for Alfred McAlpine

ALFRED McALPINE has won a total of almost £10m in contracts for Alfred McAlpine Construction, contracts include: design and construction of six high-tech industrial units at High Wycombe, for Abieavid, value £2m; process plant foundations, drain ducts, design & construction of sub-station and analyser units at Fluor Daniel, Stantec, Eilemston Park, total value £2.9m; construction of car park at RAF Sealand, Cheshire, for the Property Services Agency, value £47,000.

COMPANY MEETINGS

Today: CHESTER WATERWORKS - Chester, 12.30. COALS - Chester, 12.30. COALS - Chester, 12.30. COALS - Chester, 12.30.

FINANCIAL

Shares: FTSE 100 - 2,815.00. Shares: FTSE 100 - 2,815.00. Shares: FTSE 100 - 2,815.00.

PARLIAMENTARY

Today: Commons: Completion of remaining stages of Education Reform Bill. Commons: Completion of remaining stages of Education Reform Bill.

Trade Fairs and Exhibitions: UK

Current: Daily Mail Ideal Home Exhibition (01-222 9341) (until April 4).

Overseas Exhibitions

April 15-16: London Secretary Show (01-727 1929).

Business and Management Conferences

April 14-15: IRRG: Reinsurance market (01-236 2175).

COMPANY MEETINGS

Today: CHESTER WATERWORKS - Chester, 12.30. COALS - Chester, 12.30.

FINANCIAL

Shares: FTSE 100 - 2,815.00. Shares: FTSE 100 - 2,815.00.

Table of company meetings for Wednesday March 30, listing companies like Anglo United, Anglo United, Anglo United, etc.

Table of company meetings for Thursday March 31, listing companies like Anglo United, Anglo United, Anglo United, etc.

Table of company meetings for Friday April 1, listing companies like Anglo United, Anglo United, Anglo United, etc.

Table of company meetings for Saturday April 2, listing companies like Anglo United, Anglo United, Anglo United, etc.

Table of company meetings for Sunday April 3, listing companies like Anglo United, Anglo United, Anglo United, etc.

Table of company meetings for Monday April 4, listing companies like Anglo United, Anglo United, Anglo United, etc.

WORLD STOCK MARKETS

Handwritten scribble at the top center of the page.

Table of stock market data for Australia, France, Germany, Japan, and the UK. Columns include stock names, prices, and changes.

Table of stock market data for Canada, including Toronto and Montreal closing prices for various stocks.

Table of stock market data for Japan, listing various Japanese stocks and their prices.

Table titled 'OVER-THE-COUNTER' showing Nasdaq national market closing prices for various stocks.

Advertisement for 'Travelling on Business?' featuring a travel agency and listing hotels in Milan.

Table of stock market indices for New York, Canada, and other regions, including Dow Jones and various regional indices.

Advertisement for Helsinki & Espoo, featuring the slogan 'Have your F.T. hand delivered...' and contact information.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices, March 25

Main table of stock prices with columns for stock name, price, and change. Includes sub-sections for 'D D D' and 'M M M'.

Continued on Page 41



NYSE COMPOSITE CLOSING PRICES

AMEX COMPOSITE CLOSING PRICES

Table of NYSE Composite Closing Prices for March 28, 1988. Columns include stock symbols, prices, and changes. Includes sub-sections for 'Continued from Page 40' and 'Over-the-Counter'.

Table of AMEX Composite Closing Prices for March 28, 1988. Columns include stock symbols, prices, and changes.

OVER-THE-COUNTER Nasdaq national market, closing prices, March 28

Table of Over-the-Counter (Nasdaq) national market closing prices for March 28, 1988. Columns include stock symbols, prices, and changes.

Advertisement for Athens (01) 7237167, Helene Distribution Agency, and FINANCIAL TIMES. Includes text: 'Have your F.I. hand delivered. at no extra charge. if you work in the business centre of ATHENS'.

